Mobile Customer Relationship Marketing: a tool to create competitive advantage within the licensed liquor industry

by

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DECLARATION

I, Graeme Aubrey Grahn, declare that the contents of this dissertation represent my own unaided work and that the dissertation has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

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ABSTRACT

The advent of IT technology in particular, mobile technology has forced most of the private sector to re-evaluate how they interact and communicate with their intermediaries. Since the early 1990s most businesses have put the intermediary at the centre of their business by means of business strategies like Customer Relationship Management (CRM) solutions. However, the speed at which technology is evolving is forcing businesses to evaluate new and alternative means of managing intermediary relationships, as intermediaries now drive the economy, not businesses. The very essence of a good CRM programme is its reliance on an IT system which is advanced enough to analyse the captured intermediary data, transform that data into usable knowledge, which is then stored in a centralised, cross-functional database or data warehouse.

Most businesses agree that the goal of CRM solutions is to maximise business profits by maximising the value of interaction with intermediaries. Successful CRM businesses have strong, clearly defined business strategies that focus on the intermediary and generate a process-orientated view of the organisation. CRM functionality therefore creates a single view of the intermediary and the business as well as support to the Marketing, Sales, Order, Production and Service processes.

This dissertation investigated the CRM functionality within the Fast Moving Consumer Goods (FMCG) wholesale and retail liquor sector of the City of Cape Town, paying particular attention to the three channels that the liquor industry operate in. These three channels are segmented as the formal Off-premise consumption, formal On-premise consumption and the Informal Main market. The formal Off-premise consumption channel consist of the mainstream convenience and self-service liquor retailers where stock is purchased and consumed at another location by the end user. The formal On-premise consumption channel consists of venues where patrons purchase and consume liquor on the spot. The informal Main market, which is dominated by shebeens and taverns, is a combination of the Off- and On-premise consumption channels where bottle purchases and consumption occur on site together. This dissertation investigates one primary and four secondary questions within these channels. The primary question will establish whether a mobile CRM programme can be used as a marketing instrument to create a competitive advantage within the B2B licensed liquor industry of South Africa. The secondary questions establish whether intermediaries are willing to adopt CRM technology, what barriers exist, what the benefits are for both intermediary and company and whether there will be a reduction in communication costs for both parties.

The South African government regulates the South African liquor industry in that only licensed outlets may trade in liquor. Within the Western Cape region, there are approximately 4,000 licensed outlets of which approximately 2,000 licences (data obtained from a leading liquor wholesalers company database) fall within the boundaries of Cape Town. A leading liquor wholesaler has legal contracts with each one of these accounts, providing a defined database from which primary research was conducted.

Primary researches, in the form of quantitative interviews with a random sample of 150 intermediaries, across the three identified channels were conducted for this study. Questionnaires were used to establish how a competitive B2B mobile CRM programme can be implemented, while possible barriers and facilitators to mobile CRM were also considered. The findings produced two results: one result was expected but the second result was not expected by the researcher. The first results were that 57.5% of respondents, across all business channels, indicated their willingness to receiving a mCRM programme on their mobile devices. The unexpected finding was that 57.3% of respondents across all business channels had no idea or did not know what a CRM programme was. From these findings several recommendations are discussed namely: the implementation of a six month tactical marketing campaign which would expose intermediaries to the concepts and ideas of a CRM programme; the establishment of a comprehensively updated intermediary database; well-trained field sales staff who would support the CRM programme once implemented; a simple, easy to use and navigate mCRM programme to begin with. This programme would have to have the ability and capability to progress in the future as intermediaries become more familiar with the system; and a complete company philosophy, with a clear, holistic and coherent business strategy, that would embrace the mCRM concept to drive future growth opportunities.

Key Words: business-to-business; customer relationship management; electronic customer relationship management; Information Technology and mobile customer relationship management.

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ABBREVIATIONS

ACD	Automatic call distribution
B2B	Business-to-business or suppliers
Business	Suppliers of liquor (manufacturers, importers and wholesalers) to the intermediaries for resale
Channel	Three distinct channels exist, namely off- and- on consumption and informal market, for example, shebeens and taverns
CM	Campaign management
CRM	Customer relationship management
CTI	Computer telephony integration
DBG	Douglas Green Bellingham
DM	Direct marketing
DTI	Department of Trade and Industry
eCRM	Electronic customer relationship management
End user	The end user of goods and services purchased from a customer (intermediary)
FMCG industry	Fast moving consumer goods industry, for example, retail outlets, pubs and hotels
Informal market channel	Channels found in predominantly rural areas of South Africa
Intermediary	The purchaser of goods and services to resell to consumers (end user)
IS	Information Systems
IT	Information Technology
IVR	Interactive voice response
LTV	Life time value
MA	Marketing automation
m-advertisers	Mobile advertisers
m-Commerce	Mobile commerce

mCRM	Mobile customer relationship management
NBL	Namibian Breweries Limited
Off-premise consumption channel	Licensed retail channel, for example, Walmart, Pick 'n Pay and Makro where products are purchased for consumption at a later stage
On-premise consumption channel	Licensed retail channels such as hotels and pubs where products are consumed immediately
PDA	Personal digital assistant
POS	Point of sale
R	Rand – South African currency
ROI	Return on investment
SABM	South African Breweries Miller
SFA	Sales force automation
SIC	Standard industry classification
TM	Target marketing
UDV	United Distillers and Vintners
www	World Wide Web

GLOSSARY

Business   suppliers of liquor (manufacturers, importers and wholesalers) to the intermediaries for resale (Brits, 2008:16).

Channel   three distinct channels exist, namely off- premise and on- premise consumption and informal main market, for example, shebeens and taverns (Persson, 2003:63).

End user   the end user of goods and services purchased from an intermediary (also referred to as a consumer) (Ots, 2010:70).

FMCG industry   fast moving consumer goods industry, for example, retail outlets, pubs and hotels (BusinessDictionary, n.d.).

Informal market channel   channels found in predominantly rural areas of South Africa (Brits, 2008:17).

Intermediary   the purchaser of goods and services to resell to consumers (see end user).

Off-premise consumption channel   licensed retail channel, for example, Wal-Mart, Pick n Pay and Makro where products are purchased for consumption at a later stage (Brits, 2008:90).

On-premise consumption channel   licensed retail channels such as hotels and pubs where products are consumed immediately (Brits, 2008:90).

Primary channel   all importers and local producers/manufactures of FMCG products.

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CHAPTER 1

INTRODUCTION

1.1   Background

Mobile customer relationship management (mCRM) is a relatively new concept within the Customer Relationship Marketing (CRM) field of the South African market. It has only recently received increasing mention in academic journals abroad with limited research conducted within the South African market. There are few fast moving consumer goods (FMCG) businesses where effective CRM programmes have been implemented successfully within the proposed field of research. The objective of this study is to contribute to an increase in the understanding, knowledge and implementation of successful future mCRM programmes within the FMCG liquor industry.

1.2   Statement of the research problem

A real world problem exists where mobile customer relationship management (mCRM) is not extensively used as a marketing instrument within the business-to-business (B2B) licensed liquor industry of South Africa and it is unknown whether a mCRM programme can be used to create effective, continuous communication and competitive advantage within South Africa's B2B liquor industry.

1.3   Literature review

In this section a more in-depth literature review concerning customer relationship management (CRM), electronic customer relationship management (eCRM) and mobile customer relationship management (mCRM) will be presented in order to understand the value and limitations of creating a successful mCRM programme. The significance of various concepts related to mCRM will be viewed and explained, as well as the impact of such a programme on intermediaries and sales people. Time will also be spent considering the benefits and limitations of mCRM to an organisation.

1.3.1   Overview of the South African Liquor Industry

The South African liquor industry is part of the general beverages sector and can be broadly segmented into beer production/breweries, spirits production/distilleries and numerous wine production facilities. The wine and spirits component is further sub-divided along its sub-categories, for example still and sparkling wine, white and brown spirits, flavoured alcoholic beverages and so forth (Kriel, 2005:33). The liquor industry has recorded robust growth in sales value terms, which increased from R14, 5bn in 1999 to approximately R21bn in 2003.

This represents a nominal aggregate change of almost 50%. In 2002/03 for instance, the year-on-year growth was 9% in value terms. The split between sales of the beer market on the one hand, and wine and spirits on the other was approximately 55% to 45% in 2003 (the most recent year for which data was available from Statistics SA at the time of writing – Kriel, 2005:31). In relative terms, the contribution to sales by the beer sector has declined over the period, although there has been a stabilisation over the past three years. South Africa's national beer sales increased by 28% to R11, 5bn between 1999 and 2003, while wine and spirits sales grew by 72% to R9, 6bn over the same period (Kriel, 2005:34).

1.3.2   Strategy of Customer Relationship Management

According to Buttle (2004:16), customer relationship management means different things to different people and in different situations. Buttle (2004:17) asserts that "*whatever it is called, CRM is clearly a business practice focussed on intermediaries*". Other authors, such as Kerr and Anderson (2001:57) regard CRM as a strategy that keeps the business on course in order to be able to anticipate the changing landscape of the market place. Conversely, Deans (2004:31) states that CRM is a strategy for businesses to build and manage long-term relationships with their intermediaries, and that by implementing CRM, better intermediary service, improved intermediary expectation management and loyalty can be provided. Deans (2004:23) believes that businesses expect to improve profitability by gaining intermediary loyalty, customising offerings and lowering costs by implementing CRM solutions.

Businesses that provide differentiated relationship value and communicate continuously and consistently with each of their intermediaries (Sinisalo et al, 2006:81), allow businesses to interact, respond and communicate more effectively with their intermediaries. Sinisalo et al, (2006:16) believe that CRM is about how intermediary information is used to create more personal interaction with the intermediary by taking advantage of technology; thus allowing intermediary differentiation to offer a service that matches different intermediary needs to intermediary values (Deans, 2004:65). Recently, CRM has become popular in many disciplines and industries, particularly in digital marketing channels where the Internet and mobile communications have come to the fore. The key to establishing good intermediary relationships is to identify intermediary satisfaction. Winer's model (Deans, 2004:85) identifies loyalty, customisation, community building and unique services with branding as facets that contribute to high intermediary satisfaction and retention. Delivering a higher level of intermediary satisfaction that exceeds intermediary expectation will increase profitability, which is a key objective of the relationship management strategy (Deans, 2004:30). mCRM is founded on the principles of one-to-one marketing, focussing on services that are built for the individual intermediary in the mobile world (O'Connor, 2002:25). "*mCRM can best be described as a grouping of the following terms: wireless Internet,*

wireless strategies and mobile commerce, providing an opportunity for business organisations to leverage and extend their business to intermediaries" (Nelson et al, 2010:25).

1.3.3 Relationship Management

Traditional marketing has always focussed on creating new intermediaries with little regard to maintaining the existing intermediary database. Relationship management, however, focuses resources on intermediary retention that would otherwise have been spent on advertising, personal selling and new account acquisitions. Terblanche (2002:41) argues further that the relationship-oriented view of the intermediary takes into account the income and profit to be earned over a long-term relationship, thus giving rise to the term "lifetime value" of intermediaries. Swift (2001:136) contends that businesses gain many benefits from transforming intermediary data into knowledge. Some of these benefits are found in the following areas:

- Lower cost of recruiting intermediaries: intermediary recruitment costs through marketing, mailing, contact etc. are reduced;
- Less need to recruit many new intermediaries to preserve volume business: long-term intermediaries become more profitable and reduce the need to recruit new intermediaries;
- Reduced cost of sales: more extensive knowledge about the intermediary results in efficiencies in the cost of marketing and improved channels and distributor relationships;
- Higher intermediary profitability: increased up-selling, cross-selling and follow-up selling, as well as higher intermediary satisfaction;
- Increased intermediary retention and loyalty: higher intermediary satisfaction results in increased intermediary retention and loyalty; and
- Evaluation of intermediary profitability: businesses now acquire and focus on those intermediaries that generate profit.

1.3.4 Electronic Customer Relationship Management

The reason why eCRM is included in this literature review is to explain the impact that technology has on the CRM system. Friedlein (2002:68) contends that there is no difference between CRM and eCRM by explaining the definitions, benefits and differences between these two fields. Similarities are apparent between CRM and eCRM. Friedlein (2002:34) also contends that the only real differences between CRM and eCRM exist in the skills that are required to implement eCRM. Maheshwari (2001:45) asserts that for any business, a fundamental goal is to increase revenues, while reducing costs. In order to reach this goal, the intermediary should increase its transactional interaction with the business. Should transactions be more convenient, useful and less expensive for the intermediary, the probability exists that repeat business will be conducted. Provided the first experience is a good one, an intermediary who purchases once will probably repeat their purchase (Maheshwari, 2001:45).

Adebanjo (2003:87) further describes how eCRM creates value for a business by contributing to:

- Reduction in costs relating to contacting intermediaries;
- Transfer of some responsibility to the intermediary, which reduces administrative and operational costs of the business, thereby adding value to the business;
- Integration of eCRM applications where internal back-ground office systems may improve workflow, which leads to efficiency, which in turn might lead to further cost savings, for example, sales people using handheld devices to initiate orders or check stock availability;
- Improving sales through intermediary profiling, automating campaign management, e-mail marketing and so on; and
- Overall improvement in intermediary interaction, which leads to better service and intermediary satisfaction, as well as loyalty and ultimately lifetime value.

The evolution of CRM through the Internet into eCRM has contributed to the way marketers consider more innovative ways of communicating with internal and external intermediaries alike. The advent of mobile technology has required businesses and marketers to include some form of CRM strategy for mobile devices.

1.3.5   Mobile Customer Relationship Management

The objective of mCRM is therefore, to extend functionalities and make information accessible on a desktop computer to the personal digital assistant (PDA), phones, notebooks, electronic tablets (e-tablets) and laptops (Anon, 2001). Mobile world applications can anticipate what the user requires and provide the right information in real time to the business. It also allows businesses to follow the intermediary, whilst continually monitoring and re-arranging services that they may need (Anon, 2001). Another objective of mCRM is the promotion of long-term intermediary satisfaction which improves the communication and service processes of the business, as well as exceeds the expectations, perceived performance and satisfaction of the intermediary. For businesses that currently have successful CRM strategies in place, the progression to mCRM will be effortless. These businesses have accepted CRM as a complete business strategy and not merely as a process of automation and data management. Faced with a wide range of tools, products and marketing strategies, which should be understood and integrated effectively and efficiently in order to face intermediary demands (Nelson et al. 2010:18), businesses should build strong information systems that will allow them to deliver reliable and highly qualified information, products and services. Many businesses are still in the "Stone Age" in terms of use and adoption of new media that are at the firm's disposal (Cutler, 2000:121). Several factors contribute to the slow adoption of new technologies:

- Lack of aptitude and faculty to take into consideration the development and ability to accept change;
- Return on investment (ROI) and money investment (Mulcahy, 2001:43) – ROI is difficult to measure and businesses realise that they have to invest large amounts of money for a minimal result in the short term;
- The tendency towards pragmatism (Nelson et al, 2010:60) – the belief that practical consequences are the criterion of knowledge, meaning and value of a system; and
- Distrust of automation.

mCRM is automatically linked to mobile Internet adoption. Nelson et al. (2010:84) contends that mCRM will be strongly developed in future if intermediaries want to use mobile devices. Intermediaries are now the drivers of the economy and businesses should sell in the same way that their intermediaries want to buy. Crafton (2002:36) agrees that businesses face different issues and undergo pressures to elaborate efficient information system access and services, while intermediaries have seen their purchasing power stretched exponentially.

1.3.6   Stages of mobile customer relationship management

According to Reinartz et al. (2004:87), the mCRM process consists of three key stages: initiation, maintenance and termination. Businesses are presently in the initiation stage of the CRM process and intermediary relations at this stage differ to what they will be in the maintenance stage. Due to uncertainties in information development, Laudon and Laudon (1998:97) suggest that a greater emphasis should be placed on the role of technology in the initiation phase. They further suggest that to bring new technology to intermediaries' attention, businesses should use existing channels of communication to promote and market the new channel. In other words, a business should integrate mobile marketing into its existing and firmly established marketing communications to initiate intermediary dialogue (Sinisalo,et al. 2006:135).

Secondary research relevant to the literature review was collected electronically via the following databases of EbscoHost, Proquest, Gale, Nexus Database System, Science Direct and Sabinet. Secondary data was also obtained from White Papers and journals published by various CRM businesses worldwide.

1.4   Research questions

One primary and four secondary research questions represent the basis for this research.

1.4.1   Primary research question

Can a mCRM programme be used as a marketing instrument to create a competitive advantage within the B2B licensed liquor industry of South Africa?

1.4.2   Secondary research questions

- Are intermediaries receptive and willing to adopt CRM technology by using mobile technology?
- What are the barriers to implementing a mCRM programme within the liquor industry?
- Will mCRM benefit intermediaries in terms of more effective communication and improved intermediary relationships?
- Will a mCRM programme assist in reducing communication costs between business and intermediaries and thereby increase profitability for both parties?

1.5   Objectives of the research

The objectives of this research included identifying and evaluating the following:

- Whether mCRM, as part of an existing CRM strategy, can be used as a marketing instrument to create a competitive advantage within the B2B licensed liquor industry of South Africa;
- The readiness of business and intermediaries to embrace mobile technology as an instrument through which a business can relay its services, marketing programmes and sales objectives directly into the hands of its customers; and
- The benefit to intermediaries of a cost-effective communication programme.

1.6   Research design and methodology

The research philosophy will follow a combination of a positivistic approach with a deductive discourse. A sample survey will be used as research strategy. An empirical approach, where the design classification is predominantly descriptive and quantitative in nature, is proposed. The data collected will be obtained through a structured telephone survey using a 5-point Likert scale questionnaire. McDaniel and Gates (2001:276) contend that Likert scales are quick and easy to construct and can be administered over the phone at negligible costs. A pilot study, also referred to as a pretest, will be conducted on a small sample to test the questionnaire for misinterpretations and general reactions of respondents, as well as lack of continuity, poor skip patterns and additional alternatives for precoded and closed-ended questions (McDaniel & Gates, 2001:310). Any changes to the format of the questionnaire will then be made and a second pretest will be concluded. A disproportional systematic stratified sample by channel will be analysed and presented in the form of tabulation and bar charts. Descriptive and inferential statistical analysis will be done using Survey System to analyse the data.

1.7   Delineation of the research

The parameters of this study are restricted to the geographic boundaries of the Cape Town area where the telephonic area code is 021. Further parameters restrict the study to the three liquor FMCG channels: off consumption, on consumption and the informal market.

1.8   Ethical considerations

The researcher will conduct research within a defined intermediary database, obtained with written permission from his employer. The researcher will conduct himself in a professional manner by ensuring that all relevant ethical clearance documents are approved by the researcher's business before the research is conducted. The researcher will ensure that the main experimental procedures and participants' expectations are fully described. Participants will be assured at the start of the interview of the rationale for the study and of the confidentiality of their responses. All participation in this research is voluntary and participants will be able to withdraw from the interview at any stage. As the participants will be mature adults who are in managerial positions at their respective retail outlets, the researcher will not be involved in discussing the subject that is being researched with any person who has not reached his or her 18th birthday, or any other person who does not have the capacity to respond to the questions (for example the elderly or any physically or mentally impaired individuals). Verbal ethical approval will be obtained before the research is conducted.

1.9   Significance of the research

The research should support the development of an effective continuous communication linkage between the intermediaries and suppliers within all three liquor FMCG channels. It should also translate into improved relationships and long-term profitability for both parties. Furthermore, the research may also improve relationships between other FMCG service providers and their respective intermediaries. It is believed that should the research questions be answered by means of the proposed research and should a mCRM programme be successfully implemented, the following benefits could be derived:

- It may lead to the forging of stronger relationships between businesses and their intermediaries;
- Increased sales as a result of closer and mutually rewarding relationships;
- Closer relationships may develop over the long-term resulting in maximised profits for business and better service for the intermediary; and
- It will hopefully increase communication to the point that it may increase intermediary sales and the associated increase in profitability.

Furthermore, the research may provide insight to determine whether mCRM will generate the aforementioned benefits so that the use of this technology may be recommended to other FMCG businesses. The research may benefit the intermediary with respect to long-term relationships and profitability.

1.10 Expected outcomes, results and contributions of the research

This study will contribute to an increase in the understanding, knowledge and implementation of successful future mCRM projects within the FMCG liquor industry. This study will also indicate intermediaries' willingness or lack thereof to receive and become an active participant through a two-way dialogue by using mobile technology in a mCRM project.

1.11 Summary

The advent of Information Technology, technology and, in particular, mobile technology, has forced most private sector industries to re-evaluate how they interact and communicate with their intermediaries. However, the speed at which technology is evolving forces businesses to evaluate new and alternative means of managing intermediary relationships, since intermediaries and not big businesses, drive the economy now. Most businesses agree that the goal of CRM solutions is to maximise business profits by maximising the value of interaction with intermediaries. Successful CRM businesses have strong, clearly defined business strategies that focus on the intermediary and generate a process-orientated view of the organisation. CRM functionality, therefore, creates a single view of the intermediary and the business, as well as support for the marketing, sales, order, production and service processes. This dissertation will consider the CRM functionality area of the Fast Moving Consumer Goods (FMCG) wholesale and retail liquor sector in Cape Town, paying particular attention to the three channels in which the liquor industry operate. Primary research, in the form of a disproportional systematic stratified sample, will be conducted using a 5-point Likert scale questionnaire, by means of a telephonic interview. These will be analysed and presented in the form of tabulation across the three identified channels.

1.12 Key terms and concepts

The following key terms and concepts apply to this dissertation: business-to-business, customer relationship management; electronic customer relationship management; mobile customer relationship management and Information Technology.

1.13 Outline of the research study

Chapter 1: Introduction

The introduction will define mCRM, its background and the benefits thereof and provide the motivation for this research study.

Chapter 2: Overview of the liquor industry and competitive advantage

The South African liquor landscape is discussed in detail together with a brief discussion on competitive advantage.

Chapter 3: Customer relationship management

This chapter discusses all aspects concerning customer relationship management, its applications and benefits to the business community in detail.

Chapter 4: Research methodology

The research design and methodology are outlined and discussed here.

Chapter 5: Findings

The research data is analysed and discussed in detail and the results recorded in tabular format.

Chapter 6: Conclusion and Recommendations

The overall objective and specific aims of the research is reaffirmed. Conclusions drawn from this study are discussed with various recommendations been made.

Chapter 2 consists of 2 sections: the first section discuss in detail the South African liquor industry, the role players involved and the future of the industry. The second section discusses the concept of competitive advantage.

CHAPTER 2

OVERVIEW OF THE LIQUOR INDUSTRY AND COMPETITIVE ADVANTAGE

2.1   Introduction

Chapter 1 identified the problem statement and presented a general outline of the study. This chapter consists of two sections: the first section investigates the South African liquor industry, all the role players involved and the future of the industry. The second section of Chapter 2 investigates the concept of competitive advantage and its explanation.

2.2   South African liquor industry

The South African liquor industry, comprising beer, spirit and wine segments, is characterised by high levels of concentration where the majority of the market is serviced by a few companies. The South African liquor industry is classified by the Department of Trade and Industry (DTI) under the standard industry classification (SIC) coding system as belonging to the general beverages sector. Table 2.1 indicates the percentage contributions of the various segments, with beer being the biggest segment, followed by spirits and then wine.

Table 2.1: Beverage sectors in the South African liquor industry

Category	Sub Category	Domestic market share % within the given segment	
Beer	Clear Beer	65%	
	Sorghum/traditional beer	35%	
Wine	Natural wine	88.4%	Red wine – 32%
			White wine – 68%
	Fortified wine	2.2%	
	Sparkling wine	2.2%	
Spirits	Brandy	45.8%	
	Whisky	18.9%	
	Other spirits	35.3%	

Source: Department of Trade and Industry, SA Liquor Industry (2005:3)

The total beer category consists of two segments, clear beer, which accounts for 65% of the beer market share and sorghum/traditional beer which contributes the balance of 35%. In the wine category, natural wine contributes 88.4% of the wine market share, with fortified wine at 2.2% and sparkling wine at 2.2% of wine market share. Natural wines are further segmented into red wines (32%) and white wines (68%). Euromonitor International (2011:14) put the South African liquor market at 4,393.2 million litres with an annual turnover of R135, 552.6 million. Beer sale volumes account for R75,509.0 million, cider volumes for

R5,596.8 million, RTD/premix volumes for R6,709.1 million, spirit volumes for R30,887.7 million and wine volumes for R16,850.0 million.

The legacy of the apartheid government's tolerance of market concentration, three decades of international isolation and vested interest in the industry has resulted in an industry which the present government wants to transform through the redistribution of liquor licences to the previously disadvantaged minorities. Figure 2.1 indicates the current liquor market segmentation of suppliers, producers, distributors/wholesalers and consumers.

| 4,346 grape farmers |
| 428 wine cellars |
| 6 major wine and spirit producers |
| 11 medium wine and spirit companies |
| 10 brewers |
| 33 other wholesalers/distributors |
| 5,000 licensed restaurants |
| 25,000 – 30,000 other licenses |
| DTI estimates between 20,000 – 200,000 illegal outlets ranging from shebeens, stokvels to Convenience stores |
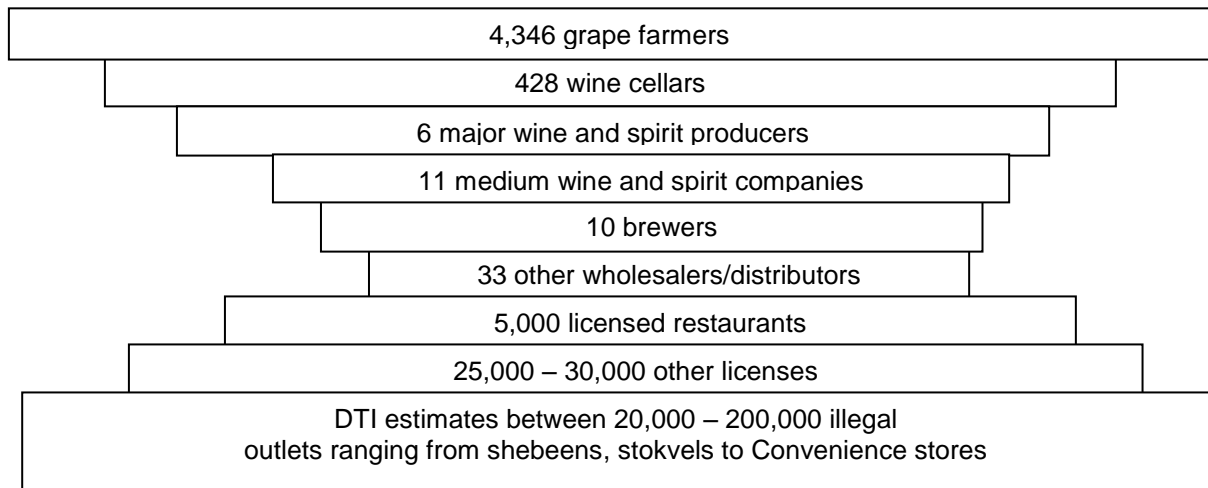
Figure 2.1: South African suppliers through to consumers
(DTI report, 2005:57)

Grape farmers and wine cellars constitute the producer segment while the six major wine and spirit producers, the 11 medium wine and spirit companies and ten brewers constitute the manufacturing segment. DTI report (2004:57) estimates there to be 33 distributors/wholesalers supplying 5,000 licenced restaurants, other licenses and illegal outlets falling into the consumer segment (approximately 35,000 licenced outlets). Power therefore lies with the consumer segment, where few possess power over the many, thus giving them more buying and marketing power.

The present government's key objectives are to increase market opportunities for historically disadvantaged groups and to break up perceived anti-competitiveness by some participants in this sector. Recently introduced legislation increases government's control in the liquor value chain, from production through distribution to retail (Kriel, 2010:39).

Currently, the South African liquor industry consists of the following role players (brewers and spirit manufacturers) as indicated in Table 2.2 below:

Table 2.2: SA liquor market share per company

% total volume - company	2006	2007	2008	2009	2010
SABMiller	61.4	64.5	66.1	64.5	63.1
UB group	10.3	10.5	10.8	11.2	10.9
Distell	6.4	7.1	7.4	7.6	7.8
Heineken	4.5	3.2	3.9	5.0	5.9
Diageo	2.2	2.2	2.2	2.3	2.2
NBL	0.5	0.6	0.5	0.6	0.8
KWV	0.5	0.5	0.5	0.5	0.5
E Snell & Co	0.3	0.3	0.3	0.3	0.3
Halewood International	0.2	0.2	0.2	0.2	0.2
Van Loveren wines	0.1	0.1	0.1	0.1	0.1
Other	13.6	10.9	8.0	7.8	8.3
Total	100	100	100	100	100

Source: Euromonitor International: Country market insight (2011:13)

Recent years have seen robust growth, in sales value terms, from the liquor industry increasing from R35, 772.1 billion in 2005 to R55, 348.6 billion in 2010, or 64.6% growth (Euromonitor, 2011:14). The leading producer in the beer segment is the London-based SABMiller brewers group, holding a 63.1% share of market in this segment. Currently, it is the second largest brewer in the world, following rapid growth in key international markets, mainly through mergers and acquisitions (Euromonitor, 2011:13). SABMiller currently own more than 150 beer brands worldwide. Key brands in the South African market include Castle Lager, Carling Black Label, Hansa Pilsner, Pilsener Urquell and Millers Genuine Draft.

In the clear beer market, specifically at the premium end, SABMiller's main rival is brandhouse, a local joint venture between Diageo, Heineken and Namibian Breweries Limited (NBL), which was launched in July 2004. brandhouse, a sales and marketing specialist company, was formed after Diageo and Heineken purchased a 28.9% stake in NBL, withdrawing the SABMiller brewing licence of Amstel and Heineken and replacing the Guinness UDV (SA) spirit business with the new company. brandhouse's current market share is 8.9% (Heineken at 5.9%, Diageo at 2.2% and NBL at 0.8%). Key brands in the South African market include House of Johnnie Walker whiskey, Smirnoff vodka, Amstel, Heineken and Windhoek beer ranges. The balance of the spirit segment is controlled by a small number of liquor manufacturers (DTI report, 2004:5).

Distell was formed following the merger between Distillers Corporation and Stellenbosch Farmers Winery group. They produce and distribute spirits and wines under various well-known trademarks. Key brands in the South African market include Grants and Scottish Leader whisky, Gordon's gin, Bacardi rum, Klipdrift, Viceroy and Oude Meester brandy and Amarula Cream. Distell's current market share is 7.8% and is predominantly in the brandy and wine segments (DTI report, 2004:58).

Other key spirit competitors include Douglas Green Bellingham (DGB), Edward Snell & Co and Pernod Ricard. DGB was formed in 1991 when Douglas Green and Bellingham merged to become a major independent producer and distributor of spirits and wines. Key brands in the South African market include Kahlua coffee liqueur, Red Heart rum, Zappa sambuca, Graham Beck, Douglas Green and Bellingham wines. Edward Snell & Co, a South African family-owned company, is involved in production and marketing of various spirit brands in the lower priced, value for money segment. The company producers and/or markets and distributes the following key locally owned brands in South Africa: Wellington brandy, Glen Eagle whisky, Russian Bear vodka and Cape to Rio cane as well as distributing the following licensed international brands: Jack Daniels, Southern Comfort and Absolut vodka. Pernod Ricard, a French-based wine and spirits company trading in South Africa, sell and market the following key brands: Chivas Regal and Jameson whisky, Olmeca tequila, Martell brandy and Jacob's Creek wine from Australia. Pernod Ricard competes with brandhouse in the premium and super premium segments of the market (DTI report, 2004:46).

The outlook for the future of the South African liquor industry depends on many factors, such as international financial performance, local political stability, local financial reaction to the international financial performance and continued dominance of the liquor industry by a handful of producers. Manufacturing and transportation costs continue to remain high affecting the unit cost price across the economy and industry and impacting on lower class consumers. SABMiller's local operation continues to face stern competition from the recently completed Sedibeng Brewery of brandhouse, which will put pressure on SABMiller to maintain market dominance, particularly in the domestic premium beer segment. The impact of the global financial problems has resulted in consumers purchasing products that offer value for money at an affordable price. Consumers will not sacrifice status and lifestyle completely and will trade down to more affordable, premium brands (Euromonitor, 2011:4).

Most supermarket chains in South Africa are licensed to sell liquor on their premises, resulting in strong consumer support due to their competitive pricing and convenient store locations. This trend is putting pressure on the traditional liquor specialist stores and forcing many to exit the market. From a legal perspective, the enforcement of a legal drinking age (currently 18 years old), the reduction of the liquor limit for driving offences (current legal

alcohol limit per 100 millilitres of blood is 0.05 millilitres of alcohol), the tightening of liquor advertising and trading hours (current off-premise trading hours are from 08:30 hours to 17:00 hours six days a week, on-premise trading varies from 22:00 hours for restaurants and pubs to 05:00 hours for night clubs) are all impacting on the current performance of the industry in South Africa (Euromonitor, 2011:8-10).

The South African liquor industry remains highly regulated with extensive marketing CRM programmes in place to encourage end users (consumers) to purchase the various alcoholic companies brands. Many of these CRM programmes are "generic" resulting in similar promotional campaigns, value added incentives and consumer retention programmes from the various liquor companies. The first company that introduces a unique, business to business mobile CRM programme will establish a competitive advantage over its competitors.

2.3   Overview of competitive advantage

"*Today South Africa is part of a truly global economy. In order to maintain our standard of living we must learn to compete in an ever tougher world market place. For that reason higher productivity and product quality have become essential. We need to move the economy into high-value sectors that will generate jobs for the future. The only way we can be competitive is to forge a new partnership between government and business*" (Smit, 2010:106).

Smit (2010:107) further contends that this type of statement is seen in academic journals, the popular press, is popular amongst business people, journalists and management academics but is "*meaningless when applied to national economies*", as it describes the international competitiveness of countries. Smit (2010:114) adds that "*countries do not compete internationally. They are not like firms, competing with rivals in the global market*".

This new interest in country competitiveness has opened up the debate on the true meaning and understanding of international competitiveness of countries. The reason for the debate is based on the implicit assumption underlying the management theories that firm competitiveness can be extended to country competitiveness, as popularised by Porter with his Diamond Framework and the world competitiveness reports (Smit, 2010:106).

Smit (2010:108) contends further that Porter's Diamond Framework draws heavily on different theories of economics, but uses a conversational style that is distinctly different from that used by many economists. Porter uses verbal descriptions of the different trade theories based on logical reasoning, instead of the mathematical models that dominate the economic profession (Ketels, 2006). This is easier for policy-makers to understand and thus creates

the impression that the Diamond Framework can be utilised to enhance the international competitiveness of countries.

In order to understand Porter's Diamond Framework this research looks at his 5 Forces model, which he proposed in 1979. Porter's 5 Forces model (Figure 2.2 on the next page) is an influential analytical model for assessing the nature of competition in an industry and will be discussed in some detail. Porter bases his 5 Forces Theory on the structure-conduct-performance paradigm, which is discussed extensively within the industrial organisational economics theorem. Porter's 5 Forces include 3 forces from horizontal competition: threat of substitute products, threat of established rivals and the threat of new entrants; and two forces from vertical competition: the bargaining power of suppliers and the bargaining power of customers.

New Market Entrants
- entry ease/barriers
- geographical factors
- incumbent's resistance
- new entrant strategy
- routes to market

Supplier Power
- brand reputation
- geographical coverage
- product/service level
  quality
- relationships with
  customers
- bidding
processes/capabilities

Competitive Rivalry
- number and size of firms
- industry size and trends
- fixed variable cost bases
- product/service ranges
- differentiation, strategy

Buyer Power
- buyer choice
- buyers size/number
- change cost/frequency
- product/service
  importance
- volumes, JIT
  scheduling

Product and Technology Development
- alternatives price/quality
- market distribution
  changes
- fashion and trends
- legislative effects

Figure 2.2: Porter's 5 Forces competitive models

(Porters, 1980:18)

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Porter explains that there are five forces that determine industry attractiveness and long-term industry profitability and they are:

- threat of entry of new competitors (new entrants);
- threat of substitutes;
- bargaining power of buyers;
- bargaining power of suppliers; and
- degree of rivalry between existing competitors.

Threat of new entrants refers to new entrants to an industry that can raise the level of competition, thereby reducing the attractiveness of the market. The threat posed by new entrants depends on the barriers of entry that exist. High entry barriers exist in some industries/markets (for example Microsoft Windows operating system) while in other industries there are limited entry barriers (for example restaurants). Several key barriers to entry into a new industry/market include various economies of scale, capital/investment requirements, and customer switching costs, access to industry distribution channels and the likelihood of retaliation from existing industry players. The single biggest barrier of entry in the South African liquor industry is the government's legislation and regulations for new business entries. The granting of liquor licences, to trade as a retailer, requires site visits by the liquor authorities, public approval/objection submissions to the liquor board and trading hours.

Gamble and Thompson (2000:87) argue that the threat of substitutes refers to substitute products that can lower the attractiveness and profitability of the industry because they limit pricing levels and profit margins for all participants in the market. The threat of substitute products depends on the following factors: the buyers' willingness to substitute, the relative price and performance of substitutes and the costs of switching to substitutes. Several threats from substitutes exist within the South African liquor industry. The most recent threat sees the introduction of "grey" liquor products entering the local market. Grey products are authentic branded products not intended for the South African market i.e. the South African Bells product consists of a 750ml bottle of whisky with an alcohol percentage of 43% while the "grey" Bells product is in a 700ml bottle with an alcohol percentage of 40%. These products are produced for the European market

Gamble and Thompson (2000:56) further contend that the bargaining power of suppliers refers to the supply of materials and other products into the industry for resale or immediate consumption by suppliers. The bargaining power of suppliers is greatest when supplied materials are scarce or the supplier is the sole distributor of the material or product into the market, resulting in high cost of goods and therefore lower company profits. The bargaining power of suppliers will be high when there are many buyers and few dominant suppliers, the products are of high value and undifferentiated, suppliers threaten vertical integration into the

industry (for example suppliers set up their own retail network operations to compete directly in the market) and the industry is not a key customer group to that supplier (for example retailer stocks and distributes an oppositions product or material). The majority of liquor suppliers in South Africa are also the producers of the various products and therefore do not have to contend with the bargaining power of suppliers.

The bargaining power of buyers refers to buyers who are generally classified as resellers of material or products and are generally represented as retail and wholesale chain groups (for example Makro, Pick 'n Pay and Shoprite/Checkers). Bargaining power of buyers is greater when there are few dominant buyers but many suppliers in the industry, products are standardised, buyers threaten to source direct from the primary producer (for example large retailers owning their own fresh produce/vegetable farms) and the industry is not a key supplying group for the buyers. The recent advent of grocer's liquor licences has resulted in the bargaining power of buyers becoming more pronounced as their power grows i.e. the Spar supermarket chain has a national footprint, across South Africa, of 800 liquor outlets making them aggressive negotiators for competitive pricing and promotional deals.

Intensity of rivalry refers to the rivalry between competitors within an industry dependent on the structure of the competition, the structure of industry costs, degree of differentiation, switching costs, strategic objectives and exit barriers.

In 1990, Michael Porter advanced a new theory to explain national competitive advantage by attempting to answer the question: Why are some countries more successful in particular industries than others? He identifies four classes of country attributes (which he calls the National Diamond) that provide the underlying conditions or platforms for the determination of the national competitive advantage of a nation. Figure 2.3 identifies these four factors as, factor conditions, demand conditions, related and support industries and company strategy, structure and rivalry. He also proposes two other factors, namely government policy and chance (exogenous shocks) that support and complement the system of national competitiveness but do not create lasting competitive advantages (Smit, 2010:115).
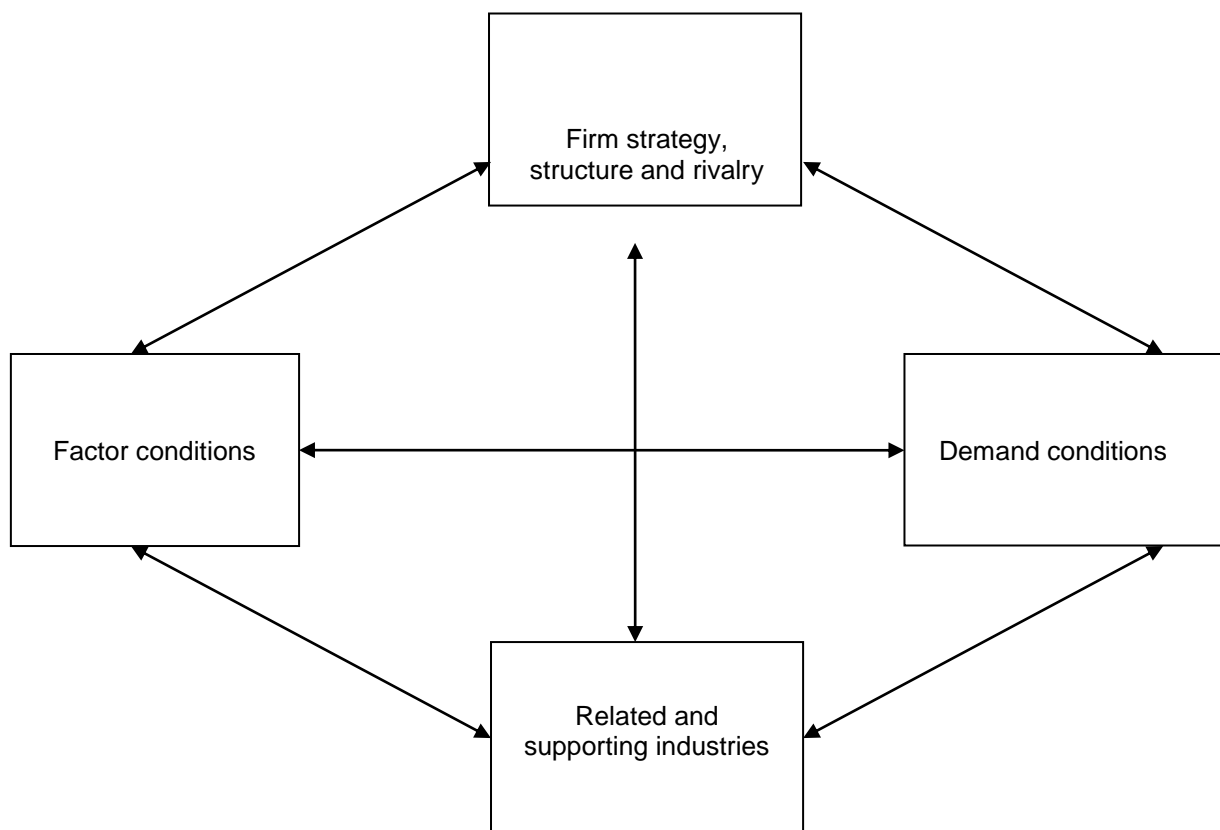
Figure 2.3: Michael Porter's National Diamond model

(Porters, 1990:32)

Under factor conditions, Porter distinguishes between the following categories: human resources, capital resources and infrastructure. Factor conditions are further subdivided into basic and advanced factors that are either general or specialised. Basic factors include unskilled labour, raw materials, climatic conditions and water resources, which are inherited and require little or no investment to be utilised in the production process. Advanced factors are created and upgraded through reinvestment and innovation to specialised factors, which according to Porter form the basis for the sustainable competitive advantage of a country (Smit, 2010:115).

Porter perceives demand conditions as a source of competitive advantage for a country. However, he focuses more on the demand differences than on the similarities to explain the international competitiveness of countries.

These demand conditions influence the underlying resource differences between countries and a country's relative location advantages as explained by the new trade theories. The nature of the differences in resources, driven by demand conditions, could be productivity differences, differences in factor endowments or differences in the scale of production (Siggle, 2006:35). The differences in sources, irrespective of the causes, thus ultimately lead to gains from the trade. In this respect, Porter's demand conditions enhance our general

understanding of location differences, rather than invalidate the trade theories as discussed (Smit, 2010:116).

The third determinant of national competitive strategy, according to Porter, is firm strategy, structure and rivalry. The main emphasis here is that the strategies and structures of firms depend heavily on the national environment and that there are systematic differences in the business sectors in different countries that determine the way in which firms compete in each country and ultimately their competitive advantage of a country's firms. The most critical driver of competitive advantage for a firm is rivalry. Rivalry forces firms to be cost competitive, to improve quality and to be innovative (Smit, 2011:117). Therefore it is firms that compete internationally, but it is the international competitiveness of a country that shapes the international competitive advantage of firms.

Teece (1986:193) views Porter's National Diamond Theory section on related and support industry clusters as the most important contribution for determining national competitive advantage. Porter (2000:17) contends that it is external economies of related and support industry clusters, such as networks of specialised input providers, institutions and the spill-over effects of local rivalry, that become the true source of competitive advantage (Smit, 2010:117).

The cluster represents an environment in which learning, innovation and operating productivity can flourish. Porter (2000:18) further contends that these kinds of localised clusters are prominent in virtually all advanced economies, but lacking in developing countries, which limits productivity growth in those countries.

Porter (2000) views all the determinants as constituting an interactive system, and it is this interplay that he believes leads to the competitive advantage of countries. It is his focus on the diamond as a descriptive interactive system that is easy to comprehend that has perhaps led to general acceptance of his framework in management literature (Smit, 2010:119).

From the above discussion it is clear that Porter's Diamond Framework provides management with a tool to identify country sources of competitive advantage that firms can leverage to enhance their international competitive positions. From a management perspective, a valuable contribution of Porter's Diamond Framework is that it is useful in analysing locations as a source of international competitive advantage for firms (Smit, 2010:123). Smit (2010:123) contends further that Porter's Diamond Framework should be taught as a tool for analysing country sources of competitive advantage in order to enhance the ability of managers to make informed decisions on how to configure the value chain, and where to do what in the world.

This author has yet to find a precise definition of competitive advantage that can be used to gain a sustainable, economic advantage for the parameters of this study as defined by this thesis. In recent years competitive advantage has taken centre stage in discussions on business strategy, the general consensus has been that competitive advantage concerns value creation, but value to whom and when is still widely debated. Competitive advantage is a skill, knowledge or resource which is difficult to copy or to gain by the competitors. Numerous authors (Kay, 1993, Peteraf, 1993; Dierickx and Cool, 1994, Ghemawat and Rivkin, 1999, Besanko, Dranove and Shanley, 2000; Saloner, Shepard and Podolny, 2001; Barney, 2002) have promoted the idea of sustainable competitive advantage, but Beinhocker (1999:168) argues that competitive advantage is not sustainable.

Several authors offer different views of competitive advantage to that of Michael Porter and these will be discussed briefly: Peteraf (1993:15) contends that competitive advantage is "*sustained above normal returns*". The author defines imperfectly mobile resources as those that are specialized to the firm and notes that such resources "*can be a source of competitive advantage*" because "*any Ricardian or monopoly rents generated by the asset will not be offset entirely by accounting for the assets opportunity cost (for example its value to others)*". On the other hand Barney (2002:9) contends that a "*firm experiences competitive advantages when its actions in an industry or market create economic value and when few competing firms are engaging in similar actions*". Barney goes on to tie competitive advantage to performance, arguing that a firm obtains above-normal performance when it generates greater-than-expected value from the resources it employs. In this case, the owners think their resources are worth $10 and the firm creates $12 in value using them. This positive difference between expected value and actual value is known as an economic profit or an economic rent (Barney, 2002:9). Besanko, Dranove and Shanley (2000:389) contend that when a firm earns a higher rate of economic profit than the average rate of economic profit of other firms competing within the same market, the firm has a competitive advantage in that market.

They also define economic profit as the difference between the profits obtained by investing resources in a particular activity and the profits that could have been obtained by investing the same resources in the lucrative alternative activity (Ghemawat & Rivkin, 1999:627). Saloner, Shepard and Podolny (2001:37) argue that most forms of competitive advantage mean either that a firm can produce some service or product that its customers value more than those produced by competitors or that it can produce its service or product at a lower cost than its competitors. They also contend that "*in order to prosper, the firm must also be able to capture the value it creates. In order to create and capture value the firm must have a sustainable competitive advantage*". Kay (1993:14) defines distinctive capabilities as ones derived from characteristics that others lack and which are also sustainable and

appropriable. Kay (1993:17) further contends that "*a distinctive capability becomes a competitive advantage when it is applied in an industry or brought to a market*". Kay (1993:194) measures the value of competitive advantage as value added, with the costs of physical assets measured as the cost of capital applied to replacement costs. Dierickx and Cool (1989:1059) echo Barney in arguing that competitive advantage is not obtainable from freely tradable assets.

If a privileged product market position is achieved or protected by the development of scarce assets, it is necessary to account for the opportunity cost of those assets. Many inputs required to implement a strategy may be acquired in corresponding input markets. In those cases, market prices are indeed useful to evaluate the opportunity cost of deploying those assets in product markets. However, the deployment of such assets does not entail a sustainable competitive advantage, precisely because they are freely tradable (Dierickx & Cool, 1989:1059). Brandenberger and Stuart (1996:45) discuss multi-agent games (industries) and examine the conditions under which players can appropriate a portion of the total gains to trade. Agents include buyers, suppliers and producers. Total gains to trade are the maximum available from the assignments among agents. They conclude that the maximum value appropriated is limited by the agent's value added to the game – the amount of the game's total value is increased by the agent's presence.

2.4   Summary

The South African liquor industry has a current annual value turnover of R135, 552.6 million and an annual volume turnover of 4,393.2 million 12-liter cases of alcohol. Beer sale volumes account for R75,509.0 million, cider volumes for R5,596.8 million, RTD/premix volumes for R6,709.1 million, spirit volumes for R30,887.7 million and wine volumes for R16,850.0 million (Euromonitor International, 2011:14). Three decades of international isolation and vested interest in the industry has resulted in an industry the present government wants to transform and make more representative of a modern day South Africa. The South African liquor industry is a government regulated industry where strict enforcement of liquor licensing, underage drinking, and taxation, liquor advertising and drink-driving limits occurs. Trading hours are also regulated within each provincial liquor office, ensuring that the basic national trading hours are enforced, but also having some autonomy to extend trading hours under special circumstances. DTI report (2004:57) estimates that the current power base of the industry lies in the consumer segment with 33 distributors/wholesalers servicing an estimated 5,000 restaurants, 30,000 other licenses and up to 200,000 illegal unlicensed outlets, giving them the buying and marketing power. The face of the South African liquor industry is set to change over the next few years with the

introduction of new legislation, the opening of more FMCG grocery liquor stores and more competitors entering the market.

Various definitions of competitive advantage are presented in this chapter, in an effort to explain what it means. Smit (2010:123) contends that Michael Porter's Diamond Framework Theory provides management with a tool to identify country sources of competitive advantage that firms can leverage to enhance their international competitive positions. Smit (2010:123) contends further that Porter's Diamond Framework should be taught as a tool for analysing country sources of competitive advantage in order to enhance the ability of managers to make informed decisions on how to configure the value chain, and where to do what in the world. Based on various definitions from several academic contributors, as discussed above, several questions remain unanswered, such as how value is to be measured (gains to trade, value to owners, increases in value to owners), what the meaning of rents is, the appropriate use of the opportunity cost concept and whether competitive advantage means winning the game or having enough distinctive resources to maintain a position in the game (Rumelt et al., 2003:2). For the purposes of this thesis this author will be using Barney's definition of competitive advantage to evaluate whether a mCRM programme will be a competitive advantage within the liquor industry of the Western Cape market and add value to the industry.

Chapter 3 discusses customer relationship management (CRM) in detail, starting with a description of CRM and progressing to electronic customer relationship management (eCRM) and then to mobile Customer relationship management (mCRM).

CHAPTER 3

CUSTOMER RELATIONSHIP MANAGEMENT

3.1 Introduction

Chapter 2 (section 2.2), introduced the South African liquor industry, all the industry role players and the future of the industry while section 2.3 of Chapter 2 investigates the concept of competitive advantage and its explanation This chapter investigates customer relationship management (CRM), electronic customer relationship management (eCRM) and mobile customer relationship management (mCRM) in order to understand the value and limitations of creating a successful mCRM programme. The significance of various concepts relating to mCRM is explained. The impact of mCRM on intermediaries as well as the benefits and limitations of mCRM to an organisation are examined.

"Today's business world is a diverse, dynamic, ever-changing environment dictated by the advances of technology through mobile technology, the World Wide Web (www) and various other information systems (IS). The impact of technology on everyday life is invasive and necessitates businesses to remain competitive as well as gaining an edge over their competitors. Coupled to technology advances are changed lifestyles that have influenced the consumption patterns of end users. Societal challenges, like large numbers of employed women, a steady maturing population and the disintegration of nucleus families has resulted in intermediaries and end users demanding more personal service via various direct communication methods" (Stone, 2000:36). This demand for individual communication and service is a direct result of trends within current society. As already stated, leading this evolution of individual intermediary and intermediary service demands is the rapid development of technology. Advances in data collection, interpretation and distribution have placed vast amounts of data and information in the hands of both intermediaries and businesses. A plethora of communication medias provide the intermediaries with many new options to make informed purchasing decisions, as well as providing businesses with alternative marketing approaches to get their messages across to intermediaries. One such approach is CRM with the goal to, according to Xu and Walton (2005:21), improve an intermediary's experienced value of how they interact with businesses, which will create satisfaction, which in turn builds loyalty, which, ideally, yields more sales. The value of interaction will be improved by increasing businesses' capacity to understand intermediaries' specific needs (Xu & Walton, 2005:23). Bose (2002:14) argues that the term "intermediary" is in fact a broad definition that includes vendors, channel partners or anyone who needs information from a business. Crosby (2002:41) states that by using intermediary information wisely to deliver what the intermediary needs, businesses will create long-term, collaborative relationships with their intermediaries. This will bring many advantages, since long-term

intermediaries are less costly to serve and run and relationships are less resource-intensive. There is no definitive CRM definition, but the following discussions were found in the literature: A recent study, conducted by Zablah et al. (2004:57), identified forty-five distinct definitions of CRM. Further detailed analysis identified common elements and recurring themes, amongst these forty-five definitions that have been grouped into five major perspectives of CRM in Table 3.1:

Table 3.1: Dominant perspectives on CRM

Perspective	Description	Implications for CRM success	Representative conceptualization
Capability	Long-term profitable relationships result only when firms are able to continuously adapt their behaviour towards individual intermediaries	CRM success is contingent upon a firm's possession of a set of tangible and intangible resources that afford it the flexibility to change its behaviour towards individual intermediaries on an ongoing basis	CRM means being willing and able to change your behaviour toward an individual intermediary based on what the intermediary tells you and what you know about the intermediary (Peppers et al.,1993:101)
Philosophy	Intermediary retention is best achieved through a focus on relationship building and maintenance	CRM success requires that firms be intermediary-centric and driven by an understanding of intermediaries' changing needs	CRM is not a discrete project – it is a business philosophy aimed at achieving intermediary centricity for the business (Hasan, 2003:16)
Process	Buyer-seller relationship develops over time and must evolve to Perdue	CRM success is contingent upon a firm's ability to detect and respond to evolving intermediary needs and preferences	CRM is concerned with the creation and leveraging of linkages and relationships with external market place entities, especially channels and end users (Srivasta et al., 1999:169)
Strategy	An intermediaries lifetime value determines the amount and kinds of resources that a firm invests in a particular relationship	CRM success requires that firms continually assess and prioritize intermediary relationships based on their relative lifetime profitability	CRM enables businesses to invest in the intermediaries that are potentially valuable for the business, but also minimize their investments in non-valuable intermediaries (Verhoef & Donkers, 2001:189)
Technology	Knowledge and inter-action management technologies represent the key resources firms need to build long-term, profitable intermediary relationships	CRM success is primarily driven by the functionality and user acceptance the technology firms implement in an attempt to build intermediary knowledge and manage interactions	CRM is the technology used to blend sales, marketing and service information systems to build partnerships with intermediaries (Shoemaker, 2001:178)

Source: Zablah et al., 2004:475-489

Zablah et al. (2004:24) contend that the five dominant perspectives on CRM provide a descriptive and representative conceptualisation, as well as outlining the implications for CRM successes. Although specific perspectives were advocated using these individual definitions, it was not uncommon that these perspectives were used simultaneously for various conceptualisations (Zablah et al., 2004:97):

Bose (2002:8) "*at the core, CRM involves the integration of technology and business processes used to satisfy the needs of an intermediary*"; Xu and Walton (2005:10) "*basically, CRM is an idea regarding how a business can keep their most profitable intermediaries by increasing the value of interaction. The value is maximised through differentiation of the management of intermediary relationships*"; Swift (2001:5) "*an enterprise approach to understanding and influencing intermediary behaviour through meaningful communications in order to improve intermediary acquisition, intermediary retention, intermediary loyalty and intermediary profitability*" and Greenberg (2001:9) "*CRM is an enterprise wide mindset, mantra and set of business processes and policies that are designed to acquire, retain and service intermediaries. CRM is not a technology, though. Technology is a CRM enabler*".

The author proposes the following definition of CRM based on the definitions above: CRM is an enterprise-wide approach, through the integrated use of business processes and technology to improve intermediary acquisition, retention, loyalty and profitability while reducing costs and maximising profits of each intermediary.

Greenberg (2001:16) argues that because of these widely divergent viewpoints of what constitutes CRM, "*CRM must begin with a business strategy, which drives the organisation and the business strategy that in turn are (sic) enabled by using Information Technology*".
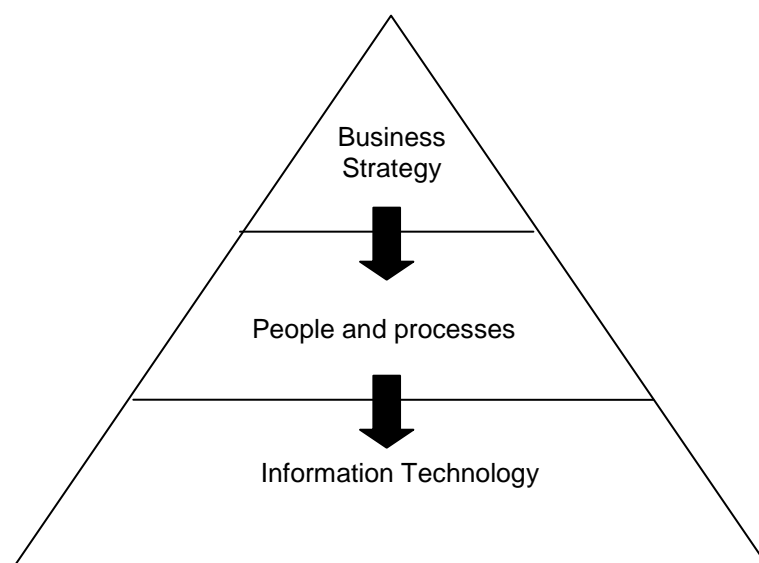
Figure 3.1: CRM Evolvement
(Greenberg, 2001:17)

Further to the above definition Heinze (2005:28) defines value creation for intermediaries with the following diagram (Figure 3.2):
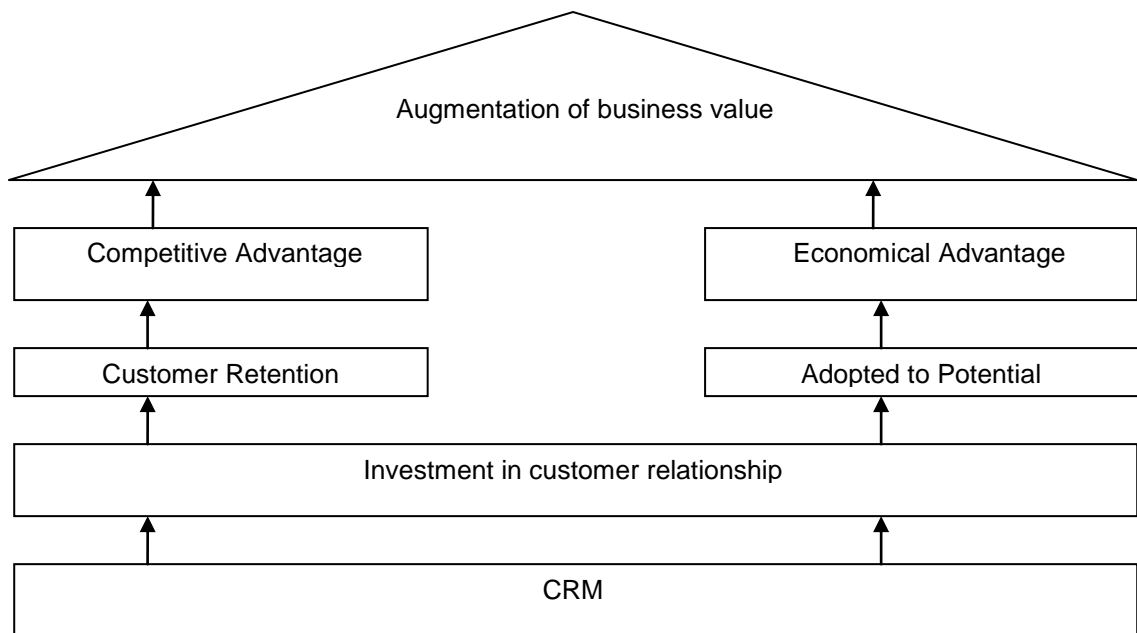
Figure 3.2: Business Value through CRM

(Heinze, 2005: 28)

According to Heinze (2005:28), CRM starts as an investment into intermediary relationships. As the process carries on, two paths can be identified to enhance a business's value. The path to the left will lead a business to an improved binding with the intermediaries. This is due to the high probability that the intermediaries choose to approach the affiliated business and due to the invested competitive advantage established by confident partners. The path to the right will lead a business to be better informed about potential intermediaries who can selectively address issues like intermediary demands and requirements. The business will then have an economical advantage and act more efficiently by following this path. Both the competitive and economical advantages enhance the business's value compared to competitors (Heinze, 2005:27).

Customer Relationship Management as a business strategy relies on people, processes and information technology (IT) to function effectively. CRM is divided into operational, analytical and collaborative functions. Operational CRM focuses on the daily business functions like intermediary service, order management, sales, marketing automation and general management. Interaction can exist with other departments within a business namely finances, logistics and human resources, provided this is done in an efficient and coordinated way. Analytical CRM focuses on the capture, storage, extraction and processing of data. Coupled to analytical CRM are the interpretation, analysing and transforming of data into knowledge. Most businesses store this data in a centralised, cross-functional database or

data warehouse, which becomes the intermediary's master tool. Collaborative CRM, according to Greenberg (2001:13), "*is the communication centre, the coordination network that provides the neural paths to the intermediary and his supplier*". This segment, therefore, deals with the building and maintenance of personalised relationships with external intermediaries, suppliers and external partners. For the purposes of this dissertation, the use of the Operational CRM function will be discussed in detail.

3.2   From CRM to mCRM

As already mentioned, CRM is an effective one-to-one marketing principle that relies extensively on technology and systems to gather and interpret intermediary data into useful information to strengthen intermediary relationships within a business. More recently a new concept has been mentioned in the literature: mobile CRM (mCRM). mCRM focuses on services that are built for the individual intermediary in the mobile world (Nelson et al, 2010:27). mCRM can also be described as the regrouping of the following concepts: wireless Internet, wireless strategies and mobile commerce. mCRM therefore affords organisations the opportunity to leverage and extend business to intermediaries by enabling its workers to become more efficient and more productive in maintaining a continuous relationship with its intermediaries. mCRM development is automatically linked to mobile Internet adoption which relies heavily on the interdependence and synergy between CRM and mCRM.

Wireless technology introduces a new way to maintain continuous relationships with intermediaries by extending the functionalities and information accessible on the desktop to the Personal Digital Assistant (PDA), mobile phones, notebooks and laptops. Mobile devices, like PDAs, smart phones and mobile phones, thus become instruments through which businesses can relay services, marketing programmes and sales objectives directly into the hands of its intermediaries, making mobile devices a powerful marketing channel for any business. Mobile devices have become the means of sending and receiving better quality messages via the use of video calling and picture messaging. Although still in its infancy, Barnes and Scornavacca (2004:131) believe that in the near future we will find that marketing via cell phones will become as common as television or newspaper advertising is today. Extensive research by the author has failed to produce any significant academic research conducted in the South African market and, in particular, within the Fast Moving Consumer Goods (FMCG) liquor industry of Cape Town with regards the application and use of mCRM technology. This study will therefore focus on the attitudes and perceptions of intermediaries, within the targeted market segment, towards the adoption of marketing communications via mobile technology. The research questionnaire will establish how intermediaries use their mobile devices, how they react to various modes of communication,

for example voice messages versus SMS's, as well as their receptiveness to a mCRM programme and what benefits and barriers exist to a mCRM programme within the FMCG liquor industry.

According to Buttle (2004:32), customer relationship management implies different things to different people and different situations. Buttle (2004:35) continues with the statement, "*whatever it is called, CRM is clearly a business practice focussed on intermediaries*". Other authors, like Kerr and Anderson (2001:19) see CRM as a strategy that keeps the business on course to be able to anticipate the changing landscape of the market place. Kerr and Anderson (2001:30) consider CRM as a comprehensive approach for creating, maintaining and expanding intermediary relationships. Deans (2004:35) on the other hand states that CRM is a strategy for businesses to build and manage long-term relationships with their intermediaries and that by implementing CRM, better intermediary service; improved intermediary expectation management and loyalty can be provided. Deans (2004:40) feels that businesses expect to improve profitability by gaining intermediary loyalty, customising offerings and lowering costs by implementing CRM solutions. Businesses that provide differentiated relationship value and communicate continuously and consistently with each of their intermediaries (Sinisalo et al., 2006:41) allow businesses to interact, respond and communicate more effectively with their intermediaries. Sinisalo et al. (2006:34) believe that CRM is about how intermediary information is used to create more personal interaction with the intermediaries by taking advantage of technology, thus allowing intermediary differentiation to offer a service that matches different intermediary needs to intermediary values (Deans, 2004:23). Lately, CRM has become popular in many disciplines and industries, particularly in the digital marketing channels, where Internet and mobile communications have come to the fore. The key to establishing good intermediary relationships is to identify intermediary satisfaction. Winer's model cited by Deans (2004:27) identifies loyalty, customisation, community building and unique services with branding as contributing to high intermediary satisfaction and retention. Delivering a higher level of intermediary satisfaction that exceeds intermediary expectation will increase profitability, which is a key objective of the relationship management strategy (Deans, 2004:29).

Terblanche (2002:26) argues that there are two statements, based on economic principles, which are frequently offered to justify customer relationship management, namely that it is more expensive to gain new intermediaries than it is to retain an existing one, and the longer the relationship between a business and an intermediary is maintained, the more profitable the relationship is to the business. Traditional marketing has always focussed on creating new intermediaries with little regard to maintaining the existing intermediary database. Relationship marketing, however, focuses on the retention of intermediaries that would otherwise have been spent on advertising, personal selling and new account acquisition.

Terblanche (2002:19) argues further that the relationship-oriented view of the intermediary takes into account the income and profit to be earned over a long-term relationship, thus giving rise to the term "lifetime value" of intermediaries. Swift (2001:24) contends that businesses gain many benefits from transforming intermediary data into knowledge. Some of these benefits are found in the following areas: lower costs of recruiting intermediaries; reduction of intermediary recruitment costs through marketing, mailing, contact and so on; less need to recruit many new intermediaries to preserve volume business; long-term intermediaries become more profitable and reduce the need to recruit new intermediaries; reduced cost of sales, extensive knowledge about the intermediary results in efficiencies in the cost of marketing and improved channel and distributor relationships; higher intermediary profitability, increased selling, cross selling and follow-up selling, as well as higher intermediary satisfaction; and increased intermediary retention and loyalty, higher intermediary satisfaction results in increased intermediary retention and loyalty and evaluation of intermediary profitability. Businesses now acquire and focus on those intermediaries that generate profit.

Agrawal (2004:42) further states that in many ways, CRM represents a logical end of the philosophy that the business should be intermediary orientated. Gamble et al. (2000:63) contends that the early marketing paradigms of the '60s required marketers to satisfy intermediary needs that where essentially nature-created while the '70s saw specific marketing solutions for intermediary needs that were essentially outcomes of various marketing initiatives. The '80s devoted themselves to meeting the higher, more lifestyle-oriented demands and expectations or outcomes, which were the result of the then social and economic environment. The advent of IT in the '90s allowed marketers to focus their thoughts on ways to leverage and serve intermediaries (Kotler & Amstrong, 2001:241). Ots (2010:34) describes the 21st century as the Relationship Age, an expression that the relationship between a brand and an intermediary influences market share and innovation and that CRM is a strategy for increasing intermediary retention and building intermediary equity. CRM thus stresses the two-way communication between supplier and intermediary and intermediary and supplier that builds intermediary relationship over time.

The essence of CRM therefore, is to "track and profit" from the retained intermediaries in the business portfolio, thus making CRM an intermediary focussed strategy that mandates a fine co-ordination between people, processes and technology. CRM is a tool for delivering on a variety of marketing goals such as the following: it allows marketers to develop innovative ways to target and serve intermediaries on an individual basis, permitting one-to-one marketing as opposed to mass marketing (Peppers & Rogers, 1993:52); while Persson (2004:39) contends that the "*dream about enjoying long-term relationships with profitable*

intermediaries. CRM programmes stress commitment over flirting". Cockburn (2000:39) adds that CRM's objective is to reduce marketing costs progressively.

3.3   Fundamental characteristics of a CRM system

Previously, comment has being made on the numerous academic interpretations regarding CRM and its characteristics. Xu and Walton's (2005:64) theory, that the four fundamental characteristics, namely sales force automation (SFA), intermediary service and support, field service automation (FSA) and marketing automation (MA), must form the foundation to any successful CRM system. Greenberg (2001:81) states that "*it is more important how well that functionality works and how easily the user can access the functionality, than how much of it there is*". Most CRM systems are often too large and complex with an extensive functionality component as Figure 3.3 shows. The four CRM system characteristics or groupings have different CRM functionality and will be discussed briefly below.

Business Processes
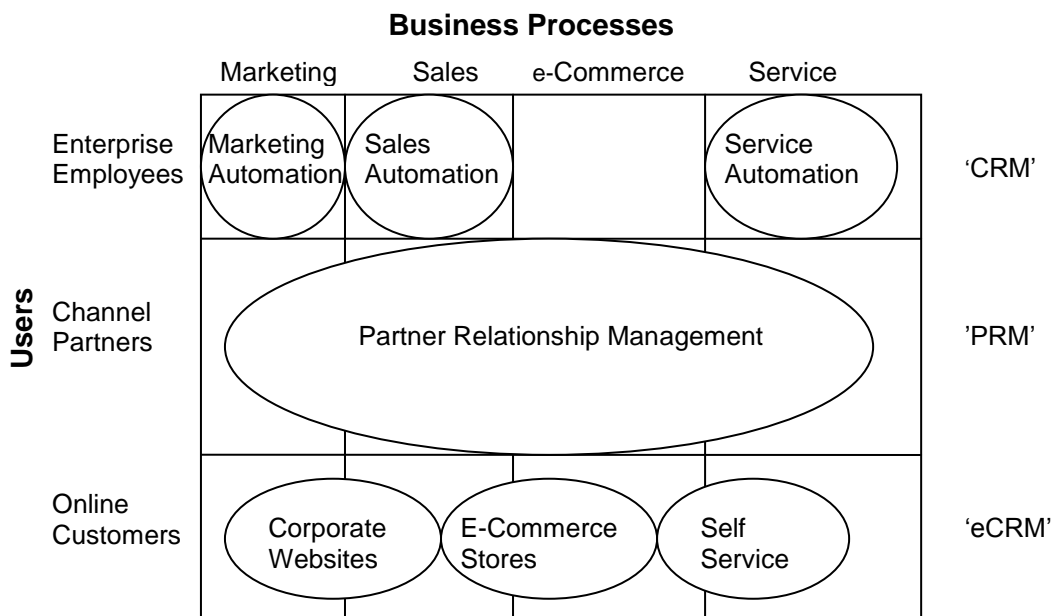
Figure 3.3: CRM-Solutions map

(Greenberg, 2001:38)

3.3.1   CRM solutions map

Traditionally, a company's employees are the primary users of a CRM system (enterprise employees). However, with the advent of eCRM applications, intermediaries and consumers are able to interact with enterprises directly via corporate websites, e-commerce and self-service applications. More recently, channel partners and other internal enterprise employees are able to interact with all users via the partner relationship management application.

The CRM Solutions map consists of three sections, namely: channel partners, online customers and enterprise employees. A brief description and function of the enterprise employees section follows below:

3.3.1.1 Marketing automation (MA): Dyché (2002:69) contends that the goal of marketing automation is to offer the right message to the right intermediary, at the right time and through the right channel. The marketing practises are very different depending on the industry; consequently, the businesses must know what mode of automation the intermediaries prefer.

3.3.1.2 Direct Marketing (DM): communication to a large number of intermediaries via mail, e-mail, banner ads, wireless messaging and so forth (Dyché, 2002:87). CRM products having DM functionality should include the generation of address lists and graphic templates, enabling the release of DM campaigns (Persson, 2004:17).

3.3.1.3 Target marketing (TM): "*the practice of promoting a product or service to a subset of intermediaries or prospects*" (Dyché, 2002:101). TM emerged once businesses started analyzing data from their DM communications, on who was purchasing their products. Two main types of TM emerged namely market segmentation and one-to-one marketing:

- market segmentation: Zineldin (2000:29) defines market segmentation as the division of a market into different groups of intermediaries having similar needs, sharing similar buying approaches, being substantial enough to be profitable and who can be defined against competition. Zineldin (2000:41) states further that when a business evaluates the various segments identified, it has to consider the following three factors: segment size, segment structural attractiveness and the business objectives and resources. In choosing a segment, the business must ensure that the choice of segments corresponds with their long-term objectives, as well as ensure that they have the resources required to offer superior value over their competitors (Zineldin, 2000:61); and
- one-to-one marketing: advances in information technology has allowed businesses to analyze intermediary data, thus enabling them to understand the intermediaries' specific needs and based on that information to develop tailored messages and intermediary specific product offers. One-to-one marketing involves treating individual intermediaries in a certain way, based on their specific requirements (Dyché, 2002:93).

3.3.1.4 Campaign management (CM): Dyché (2002:87) describes CM as a six-step process namely: conceive the idea for a campaign; plan the launch of the campaign; determine who the targeted intermediaries for this campaign are; determine the campaign communication, which channel of communication is used, to the intermediary; launch the campaign and measure, analyse and evaluate the results of the campaign. The campaign process should be close-looped, where the results from the campaign are used to create the basis for a new campaign. CRM marketing automation technologies can help businesses perform cross-

and up-selling more effectively by identifying which intermediaries might respond positively to these activities (Dyché, 2002:105).

Cross-selling in this regard involves selling a product or service to an intermediary as a result of another purchase, while up-selling involves selling more profitable products in the existing product extensions. Various analytical tools are used to place intermediaries into groupings around which different businesses place different values of importance. In other words, the different types of analysis performed varies from business to business as the following examples: profitability analysis - understanding which intermediary is the most important to keep by offering the best ROI; propensity to buy analysis - estimates what product or service a particular intermediary is likely to buy; next sequential purchase - predicting what product or service a intermediary is likely to buy next; product affinity analysis - understanding what products are bought together; and price elasticity modelling and dynamic pricing - finding the optimal price for a certain product for a specific segment or intermediary (Dyché, 2002:105).

Dyché (2002:78) states further that businesses value their intermediaries based on different metrics such as intermediary Life Time Value (LTV), potential value and competitive value (wallet share). Businesses should not base intermediary value on a single dimension but rather consider several other factors like historical intermediary behaviour, product costs, support costs, channel usage and intermediary profitability when targeting a particular intermediary or segment (Dyché, 2002:92).

3.3.2 Sales force automation

The main purpose of sales force automation is to increase revenues by reducing the cost of time sales people spend on administrative tasks, by improving intermediary retention through stronger relationships between a business and its intermediaries, increasing the mobility of its sales force through IT and providing the business with a single view of the intermediary (Greenberg, 2001:48).

Sales force automation consists of several processes, which are discussed briefly below:

3.3.2.1 Sales process/activity management: All businesses have their own criteria for what constitutes their sales process. Therefore, every business has its own sales process (Greenberg, 2001:51). Sales process/activity management tools include a number of sales activities that will guide the sales representative through each step in the sales process.

3.3.2.2 Sales and territory management: Sales management tools enable sales managers to oversee many sales teams and their sales activities. The tool enables the setup of sales teams and links individuals to specific accounts, regions and industries as well as linking

specialists to specific sales teams. This tool also creates individual and team profiles by storing personal data about sales people (Dyché, 2002:39).

3.3.2.3 Contact management: Contact management is a basic sales tool, which involves organising and managing data regarding a business's intermediaries and prospect organisations (Dyché, 2002:44). Other important contact data about intermediaries are their profitability, satisfaction, retention and loyalty (Dyché, 2002:64). Newell (2000:43) concludes that the most critical data needed is recency (when the intermediary last purchased a product or service from the business), frequency (the number of purchases the intermediary has made during a certain time), and monetary (the amount purchased during the specific period).

3.3.2.4 Lead management: Lead management, also known as "opportunity management", is to provide sales strategies to secure the right leads with the right content at the right time to the right sales people (Dyché, 2002:64).

3.3.2.5 Pipeline management: The execution of the sales process is called "sales pipeline". It is often visualised graphically, shaped as a cone turned upside down, as Figure 3.4 indicates. This is a good way of visualising the current number of leads, opportunities and so forth, either per sales person or per the whole business (Greenberg, 2001:18).
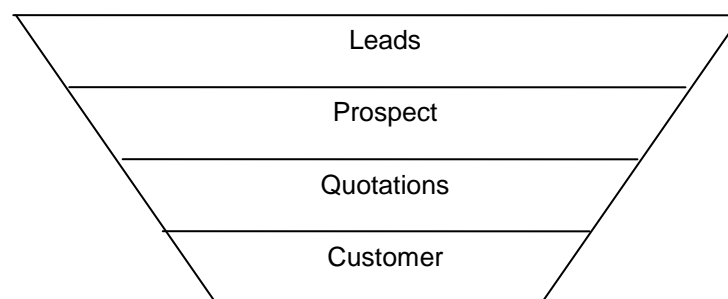
Figure 3.4: A sales pipeline
(Greenberg, 2001:19)

3.3.2.6 Configuration support: CRM products include product specific configuration support to businesses who must build products for their intermediaries like computer technology vendors. With this functionality, they do not have to build the solution from scratch. This tool calculates a product configuration and price automatically after an order is placed (Dyché, 2002:34).

3.3.2.7 Knowledge management: Sales people generate and use a lot of information in their work, thus businesses develop knowledge systems that allow sales people to access stores and change such information. These systems commonly have the following functionalities:

granting individuals control or editing rights over a specified document, while ensuring that no other people are working on the same document at the same time; providing a history of who has modified material and when it was done; providing a search engine which allows users to easily find documents by specifying a key word and unified view of various files and documents. The use of knowledge management systems is mostly used by large businesses that have geographically spread employee bases. It is a good way of increasing the possibility to create a united view among the employees (Dyché, 2002:39).

3.3.2.8 Mobile CRM: An emerging new system that will allow businesses to use the mobile channel to deliver a more complete one-to-one service to intermediaries, increasing corporate brand image and supplementing business products. This topic will be discussed in more detail later on in this chapter.

3.3.2.9 Reporting capabilities: Reporting tools, often embedded as third party tools in SFA applications, provide customized information in the form and with the content specified by the receiver. Reporting is a valuable support when making critical decisions (Greenberg, 2001:37).

3.3.3 Intermediary support and services

Intermediary service and support is considered a core function when applying a CRM system. By performing intermediary service and support, several benefits can be achieved and businesses are increasingly realising that the quality of their intermediary support has great influence on the relationship with their intermediaries (Xu & Walton, 2005:47). Xu and Walton (2005:60) contend further that when performing intermediary support and service it is important to know how the intermediary prefers to interact in order to satisfy the intermediary as much as possible.

3.3.3.1 Computer telephony integration (CTI): CTI is a technology that combines telephone systems with computer technology, such as software applications and databases (Dyché, 2002:51). Automatic call distribution (ACD) and interactive voice response (IVR) are two CTI features most commonly employed by businesses. ACD involves phone call workflow; in other words how calls are routed using a numeric key pad. For example, callers are given different options when calling a call centre which puts them in direct contact with the appropriate department. IVR, on the other hand, is the routing based on an intermediary's verbal response to a question typed on their keypad (Greenberg, 2001:24).

3.3.3.2 Call scripting: CRM systems that provide situational scripts that guide intermediary service representatives through the dialogue with an intermediary. In this way, businesses hope to eliminate guessing about how to respond to intermediary inquiries, as well as securing consistency in the way service representatives are responding (Dyché, 2002:28).

3.3.3.3 Web-based self-service: By visiting a business's web site and by using electronic communication, intermediaries can access a lot of information at any time of the day (Dyché, 2002:34). An advantage which websites offer is that intermediaries can make decisions about buying new products without feeling pressure and without getting frustrated with an intermediary service representative who might try to cross- or up-sell (Dyché, 2002:46).

3.3.3.4 Workforce management: workforce management tools can help businesses give intermediaries the right amount of support at the same time as costs are reduced. The tools are specialised in planning and optimising of staff around busy periods, different communication channels and intermediary profile. Dyché (2002:30) concludes that planning functions include forecasting of contact volumes; recommendation of optimal number of staff; performance tracking by intermediary value, intermediary satisfaction, priority level or any other factors; employee scheduling based on skills or preferred work hours and combining findings from different contact centres to a single report.

3.3.3.5 Intermediary satisfaction measurement: many businesses these days have replaced paper-based surveys with electronic alternatives. Many websites have an information gathering function where intermediaries are encouraged to rate their experience and levels of satisfaction with the business.

3.3.4 Field service automation

Field service automation is partly intermediary service, involving service engines performing repairs, and partly sales force automation, involving sales departments' use of the mobile workforce functionality. Increasingly, sales people and field service engineers who are out of office need to have access to the CRM system (Dyché, 2002:38).

3.4 CRM implementation

Effective CRM implementation must ensure two things: CRM must be understood properly (Buttle, 1996:29) and CRM must be implemented strategically (Dyché, 2002:32). In order to ensure that a CRM system contributes to a dramatic but enduring corporate renaissance, it requires that the CRM practitioner needs to do a series of things right at the right time. Agrawal (2004:10) proposes seven guidelines (Table 3.2. on the following page) to facilitate the process of effective CRM implementation in an organisation.

3.4.1 From myths to reality

The vast majority of the corporate sector appears to be "cognitively challenged" when it comes to CRM (Boar, 2001:14). Most senior executives appear overwhelmed or unaware of the surreal power of their CRM programmes, thus failing to acknowledge the truth about CRM, which is that it is neither a powerful software tool nor a solution for all corporate

ailments (Agrawal, 2004:14). In order to avoid unreasonable expectations and take a proper perspective of a CRM system, executives should be encouraged to understand the commonly found myths and the corresponding realities as listed in Table 3.2, before launching any CRM programme in an enterprise.

Table 3.2: Seven myths and the reality

Myths	Reality
1. CRM is primarily about information technology software packages.	1. CRM is primary about relationships, where information technology software packages come in handy.
2. CRM is primarily to automate sales and marketing.	2. CRM is primarily to automate intermediary support.
3. Once we approach the known CRM software developers and vendors, they will supply CRM solutions that will fit my business.	3. Development of an intellectual infrastructure and active involvement are the pre-requisites before we approach CRM software vendors.
4. CRM once bought and implemented in place in a firm, takes care of itself for all time to come.	4. Life of the firm is dynamic. Hence the CRM solution must be in 'scalable and modifiable' form.
5. CRM is highly expensive.	5. CRM is highly cost-effective.
6. CRM is suited to Business-to Business (B2B) situations and in dealing with large intermediaries.	6. CRM is useful to business to intermediary (B2C) situations as well as for any intermediary who is your key intermediary.
7. CRM works well for high value-high anxiety products only.	7. CRM is good for any product, even commodities.

Source: Agrawal, 2004:10

CRM programmes are not right for every business and Agrawal advises the corporate sector to begin by clearly defining the business issues and needs and to then determine whether a CRM programme can be part of the solution. CRM strategies that are clearly linked to business objectives have a far greater likelihood of success than those that do not. Similarly, CRM applications are not the whole solution but only a component thereof. Finally, CRM initiatives are intended to drive better relationships with intermediaries. Relationships that offer the most profit potential are the most important to the business. The key to effective relationship management is crafting a comprehensive intermediary view (Agrawal, 2004:19, 20, 24).

3.4.2 CRM and intermediary retention

Agrawal contends that in order to leverage relationships, CRM practising businesses must first define and target the right intermediaries. Agrawal states further that CRM data warehousing and mining must be integrated to the goal of intermediary identification and profiling. Many CRM efforts fail because sales revenue data is stored separately from intermediary support and client history data. Any business that is serious about CRM should seek out business solutions that integrate data and draw up comparative charts that help drive sales and right intermediary retention decisions (Agrawal, 2004:17-19, 25).

3.4.3 Involving the right intermediaries in customer relationship management design

CRM businesses should identify their key intermediaries, who have a stake in the welfare of their organisation and have them validate the CRM interaction approaches. These CRM businesses should also provide seamless management interactions as well as providing accurate and consistent support and service across all channels, as the communication channels multiply (Agrawal, 2004:18).

3.4.4 Regular customer relationship management enhancement

The CRM initiatives introduced into an organisation must remain vibrant and scalable, allowing the organisation better support in tracking and managing intermediary interactions. Rules for prioritisation, exhalations and routing of complex issues can be automated in order to reduce the time taken to resolve the problem. Quick resolutions help the service agents with troubleshooting issues and serve as the foundation for self-service offerings. CRM enhancements are evolving as provisions for self-service, natural language processing and speech recognition technologies become more embedded in newer CRM products. Software vendors are also embedding e-learning technologies into CRM products, allowing users to learn to use the newer systems and enhancements more quickly. Agrawal (2004:41) contends that building a CRM programme is a long-term strategy achieved by developing a phased plan approach. The ability to adapt to ever-changing intermediary needs and deliver value-added functionality will be a key component to a successful CRM strategy (Agrawal, 2004:16, 26, 31, and 41).

3.4.5 CRM: return on investment

The reason many CRM systems fail is partly due to a business's inability to demonstrate measurable benefits. The old adage "*you can not manage what you can not measure*" remains true for CRM programmes too. Agrawal (2004:23) argues that no organisation should be satisfied with assumed CRM benefits, but should rather ensure that their planned CRM strategies and expenditures are clearly linked to measurable business initiatives. Apart from measuring CRM returns, other additional gains can be computed, like ROI. By leveraging ROI a business can secure further support and momentum of its CRM efforts.

3.5   Electronic intermediary relationship management

The reason eCRM is included into this literature review is to explain the impact technology has on the CRM system. By explaining the definitions, benefits and differences between CRM and eCRM, which fundamentally, according to Friedlein (2002:18), do not exist, this author hopes to show the logical progression of CRM through eCRM to mobile CRM. Readers will immediately notice the similarities between CRM and eCRM. Friedlein (2001:18) further contends that the only real differences between CRM and eCRM exist in

the skills required to implement eCRM. Due to the extensive similarities and overlapping commonalities of CRM and eCRM a brief discussion on the topic follows.

3.5.1   Definition

eCRM does not fundamentally differ from CRM (Friedlein & Kadam, 2002:10). By integrating and simplifying the intermediary-related processes through the Internet, eCRM helps improve intermediary acquisition, intermediary development and intermediary retention (Chang, Liao & Hsiao, 2005:242).   The below illustration, Figure 3.5, of an eCRM model shows the different sectors and the abilities gained.
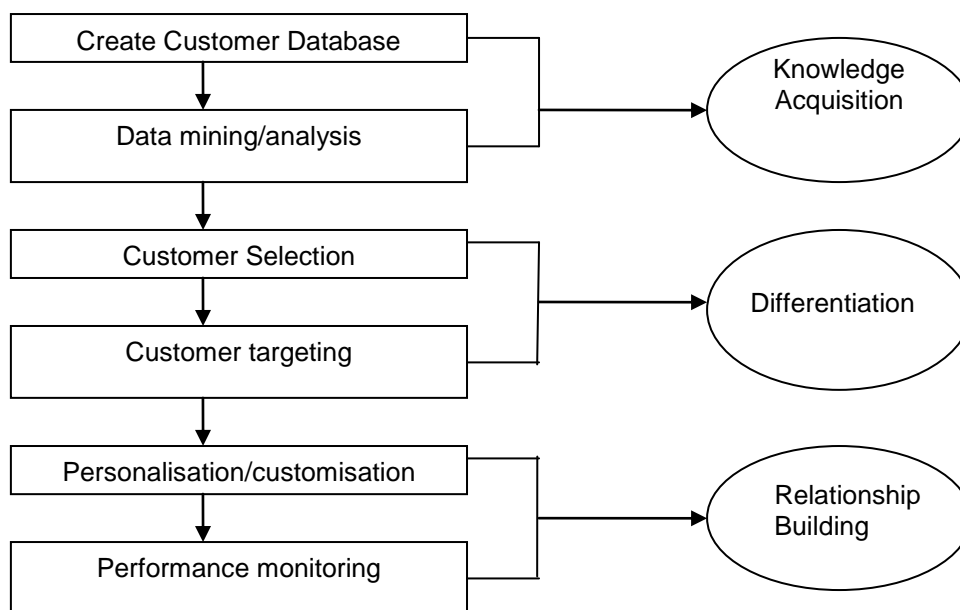
Figure 3.5: An eCRM model
(Hamid, 2005:51-57)

3.5.1.1 Knowledge acquisition: Creating a database is fundamental for any CRM activity (Winer, 2001:108) as it gives the business a clear understanding of its intermediary's preferences and past activities.   A database enables the business to segment the intermediary base on various criteria in order to easily retrieve and trace intermediaries (Hamid, 2005:55). By implementing data warehousing, large amounts of data can quickly be retrieved for analysis and reporting (Forrester Research, 2000:18). The data-mining element allows businesses to gain knowledge about their intermediaries and predict future behaviour of its intermediaries.

3.5.1.2 Differentiation: By using data warehousing and data mining, a business can strategize its marketing activities to target selective intermediaries (Hamid, 2005:58). The intermediary insight that is attained enables the business to segment its intermediary base

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on need instead of demographics, gaining an understanding for what works and what does not work for certain intermediaries (Friedlein, 2001:23)

3.5.1.3 Relationship building: eCRM has the ability to personalise information that is available to the intermediary (Friedlein, 2001:34). By doing so, the intermediary has the ability to filter the information based on his or her preference, giving the intermediary personalised information at all times (Fienberg & Kadam, 2002:38). eCRM also offers improved accountability as the business can now track performance against a variety of metrics: for example page impressions, repeat visits and loyalty in order to ensure high performance (Friedlein, 2001:29).

Further definitions of eCRM put forward in various other academic articles follow. Curry and Kkolou (2004:316) argue a twofold rudimentary definition of eCRM. He suggests that intermediary marketing, intermediary relationship management and the Internet are inseparable issues. Curry and Kkolou (2004:319) further contends that the Internet helps solve major and universal problems related to CRM as it captures analyses and uses intermediary information. The Internet also makes CRM a necessity, as a business that does not manage its relationships with its intermediaries in the face of Internet-based competition will simply go out of business (Curry & Kkolou, 2000:3155). Forrester Research (2000:3) defines eCRM as a web-centric approach to synchronising intermediary relationships across communication channels, business functions and intermediaries. It evolved from CRM, which was more call-centre centric and sales force automation centric. eCRM leverages integrated information on intermediaries to improve marketing processes, particularly intermediary acquisition, development and retention, by managing deep and long lasting relationships with intermediaries (Goldshlager, 2001:8). The eCRM Group (2003:2) terms eCRM as electronic intermediary relationship management as a way to manage consistently personal, relevant and productive interactions across all communication channels throughout an enterprise. It is a means to build successful relationships with intermediaries, vendors, employees, investors and others by using new technology (eCRM Group, 2003:3). eWorld Research (2003:1) views eCRM as a business process integrated via the Internet, which involves a series of activities related to developing and retaining intermediaries through increased satisfaction and loyalty which will ultimately boost a business's sales revenue (eWorld Research, 2003:2).

All these definitions of eCRM clearly highlight four fundamental concepts (Zaayman, 2003:44) namely: CRM and the Internet are related issues; synchronising intermediary relationships across communication channels; managing personal, relevant and productive interactions and retaining intermediaries through increased satisfaction and loyalty.

3.5.2   Importance of eCRM

Maheshwari (2001:14) contends that for any business, a fundamental goal is to increase revenues while reducing costs. In order to reach this goal, the intermediary needs to increase its transactional interaction with the business. If transactions are made more convenient and useful and less expensive for the intermediary, it will more likely repeat its business purchases. Provided the first experience is a good one, an intermediary who buys once will be more likely to buy again (Maheshwari, 2001:15).

Adebanjo (2003:13) further describes how eCRM creates value for a business by contributing to: the reduction in costs relating to contacting intermediaries; transfer of some responsibility to the intermediary, which reduces administrative and operational costs of the business, thereby adding value to the business; integration of eCRM applications with back office systems may improve workflow which leads to efficiency, which in turn may lead to further cost savings, for example sales people using handheld devices to initiate orders or checking stock availability; improving sales through intermediary profiling, automating campaign management, e-mail marketing etc.; and overall improvement in intermediary interaction, which leads to better service and intermediary satisfaction, as well as loyalty and ultimately lifetime value.

The evolution of CRM through the Internet into eCRM has paved the way for marketers to consider more innovative ways of communicating with internal and external intermediaries alike. The exploration of mobile technology has forced businesses and marketers to include some form of CRM strategy for mobile devices. This relatively new field in CRM strategy, commonly known as mobile customer relationship management, will now be discussed.

3.6   Mobile customer relationship management

The objective of mCRM is to extend functionalities and make information usually accessible on a desktop computer available on personal digital assistants (PDA), phones, notebooks, electronic tablets (e-tablets) and laptops (Anon, 2001). Mobile world applications can anticipate what the user requires and provide the right information in real time to the business. It also allows businesses to follow the intermediary, whilst continually monitoring and re-arranging services that they may need (Anon, 2001). Another objective of mCRM is the promotion of long-term intermediary satisfaction which improves the communication and service processes of the business, as well as exceeds the expectations, perceived performance and satisfaction of the intermediary. For businesses that currently have successful CRM strategies in place, the progression to mCRM should be effortless. These businesses have accepted CRM as a complete business strategy, and not merely as a process of automation and data management. Faced with a wide range of tools, products

and marketing strategies, which should be understood and integrated effectively and efficiently in order to face intermediary demands (Nelson et al, 2010:18), businesses should build strong information systems that will allow them to deliver reliable and highly qualified information, products and services. Many businesses are still in the 'Stone Age' in terms of use and adoption of new media that are at businesses' disposal (Cutler, 2000:121). Several factors contribute to the slow adoption of new technologies namely: lack of aptitude and faculty to take into consideration the development and ability to accept change; return on investment (ROI) and money investment (Mulcahy, 2001:43) – ROI is difficult to measure and businesses realise that they have to invest large amounts of money for a minimal result in the short term; the tendency towards pragmatism (Nelson et al, 2010:60) – the belief that practical consequences are the criterion of knowledge, meaning and value of a system and distrust of automation.

mCRM is automatically linked to mobile Internet adoption. Nelson et al (2010:84) contends that mCRM will be strongly developed in future if intermediaries want to use mobile devices. Intermediaries are now the drivers of the economy and businesses should sell the way their intermediaries want to buy. Crafton (2002:56) agrees that businesses face different issues and undergo pressures to elaborate efficient information system access and services, while intermediaries have seen their purchasing power stretched exponentially.

3.6.1   Mobile customer relationship management - the future of CRM.

In today's highly competitive world, one of any business's major concerns is the retention of intermediaries. Understanding intermediaries' behaviour and needs is a key factor that may lead a business to success and this can only be achieved through a solid CRM strategy. CRM must become the dominant future strategy for business based on their development and survival in a networked economy (Nelson et al., 2010:36). Almquist (2002:21) contends that future businesses, who embrace CRM, have to re-think their structure, habits and behaviours to enable them to manage their relationships with intermediaries better. The arrival of the Internet, according to Corby (2002:19), has totally changed the way of managing intermediaries' relationships.

3.6.2   Stages of mCRM

According to Reinartz et al. (2004:18), the mCRM process consists of three key stages: initiation, maintenance and termination. At present the mobile CRM industry is in the initiation stage of the CRM process and the intermediary relations at this stage are different to what they will be in the maintenance stage. Due to uncertainties in information development, Laudon and Laudon (1998:19) suggest that a greater emphasis should be put on the role of technology in the initiation phase. They suggest further that to bring new technology to intermediaries' attention, businesses need to use existing channels of

communication to promote and market the new channel. In other words, businesses need to integrate mobile marketing into their existing and firmly established marketing communications to initiate intermediary dialogue (Sinisalo et al., 2006:34).

3.6.2.1   The initiation stage of mCRM

The initiation stage of mCRM, as depicted in Figure 3.6, consists of three key elements, namely marketing, sales and services:
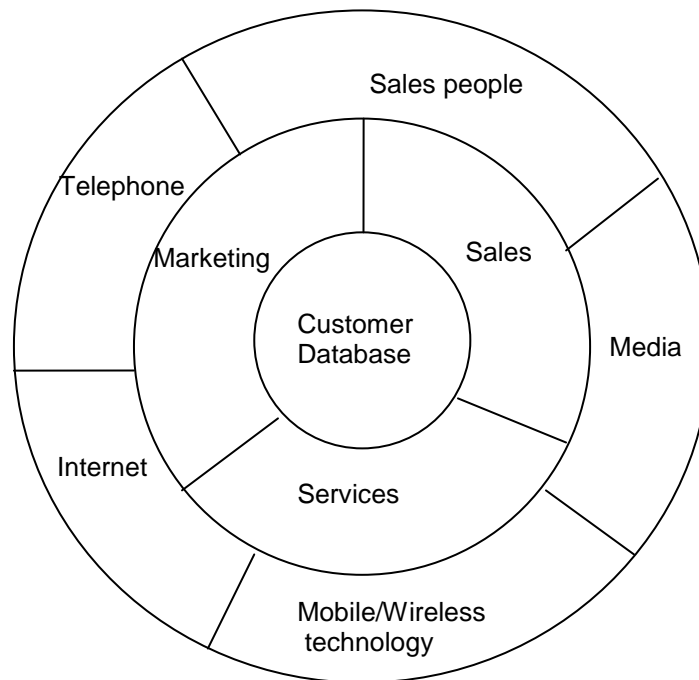
Figure 3.6: CRM and multiple media:
(Bradshaw & Brash, 2001:521-527)

Bradshaw and Brash (2001:521-527) develop a discussion that mCRM consists of three key initiation stages. The first stage is formed with the aid of a detailed intermediary database while the second stage, the media and integration stage, consists of marketing, sales and service elements.   The final initiation stage consists of telephone, sales people, media, Internet and mobile technology elements.

CRM therefore enables a business to become familiar with its intermediaries by integrating hardware, software and applications aimed at understanding intermediaries (Turk, 2007:34).
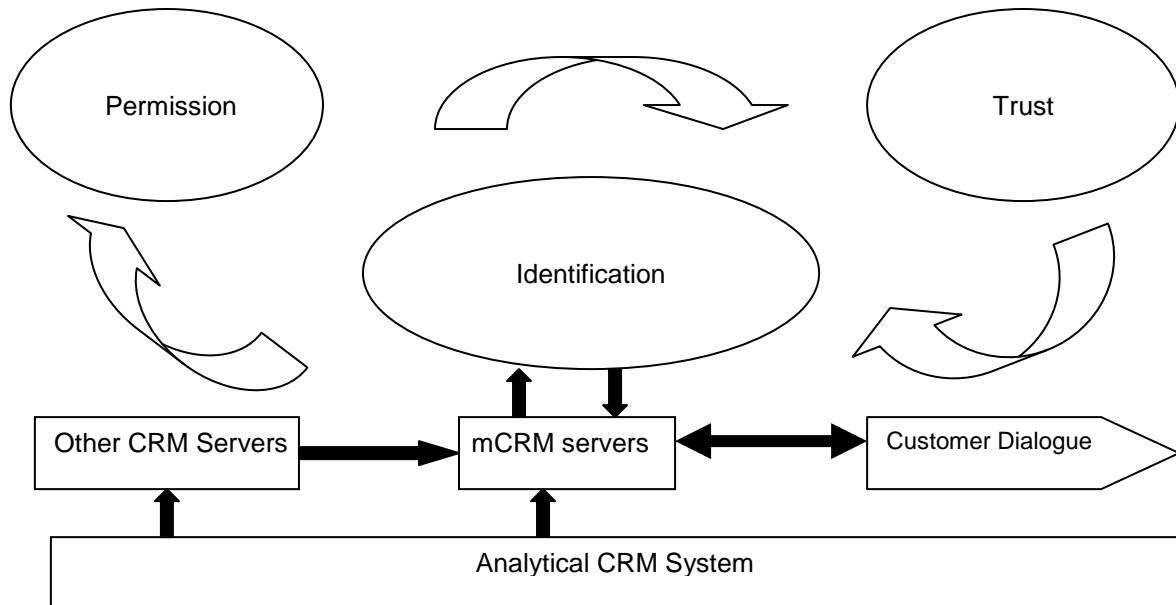
Figure 3.7: Key elements of building intermediary database for mCRM:
(Sinisalo et al., 2006:35)

Sinisalo et al. (2006:46) suggest that with mobile phone intermediaries, an intermediary database has to be built from the beginning and that three elements are essential in this process. As Figure 3.7 depicts, these three elements are trust, permission and identification. Sinisalo (2006:43) develops the discussion on the three elements with trust, an integral component in all aspects of life that must, when designing a mCRM intermediary database, be established first to establish a solid foundation. Trust is built over time and it becomes stronger with the accumulation of positive experiences and the fulfilment of contracts at both ends (Grossman, 1998:10). To build trust, Barnes and Scornavacca (2004:17) suggest that instead of interrupting and annoying people with information they may not desire, trust can be created through permission marketing. Permission marketing refers to the marketer seeking permission before sending any advertisements to prospective intermediaries.

Mobile devices have become very personal pieces of equipment and people view them as an extension of their personal identity, which portray their social standing, fun, business and fashion stages of their lives. Mobile devices ensure that they are always contactable and for this reason, mobile marketing should deliver to each individual personal need. Without this medium of information, the business will be oblivious to its intermediaries' needs and it will not be able to meet them effectively (Park & Kim, 2003:14).

Permission marketing is a term used in electronic marketing that refers to a marketer seeking permission before sending any advertisements to prospective intermediaries. In Europe, the European Union has directed the following law governing permission marketing: European Union Directive 2002/22/EU, prohibits the sending of all unsolicited electronic communications, for marketing purposes, to the end user (Turk, 2007:20). Tsang et al. (2004:24) contends that intermediaries are more likely to respond positively to marketing messages if they have given permission to the business to send them.

3.6.2.2 Value chain creation for mCRM

To analyse the mCRM in an organisation, it is necessary to understand the 5C model as depicted in Figure 3.8:
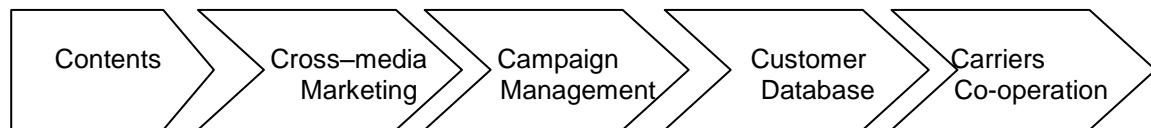
Figure 3.8: The 5C model for mCRM value chain:
(Sinisalo et al., 2006:57)

Sinisalo *et al.* (2006:50) contends that the key players in the mCRM value chain are the advertisers, the mobile advertising businesses, the media owners, the traditional advertising agencies, the mobile network operators/carriers, the technology providers (hardware and software) and the intermediaries. The 5C model therefore provides a deeper understanding on the factors that are crucial to the value chain creation (Sinisalo et al., 2006:51). From a contents perspective, Paavilainen (2002:160) contends that the contents of any mobile service must be attractive enough to entice and retain the user with the golden rule of advertising "content is king" being strictly applied. Bradshaw and Brash (2001:42) argues that mobile advertisers use the traditional media to explain their services and then cross use mobile media to remind people to use the service or inform them of improvements or extras made to the service. Sinisalo et al (2006:34) adds that the term used in m-advertising, campaign management, refers to the fact that m-advertising specific technology is required for effective transmission of m-advertising campaigns. This technology allows businesses to execute and analyse its campaigns. The key element to building an intermediary database as discussed earlier, for mCRM purposes, are intermediary trust, identification and permission to send marketing messages through the mobile medium. Turk (2007:46) contends that in order to target a wider spectrum of intermediaries and deliver effective advertising, mobile advertising businesses should collaborate with network operators. Without this co-operation, organisations cannot implement mCRM unless they own their own network.

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3.6.2.3 Building value for mobile services

To benefit from the mobile and personal medium, Ahonen (2004:23) proposed a four-component model to build value to mobile services as depicted in Figure 3.9 below:
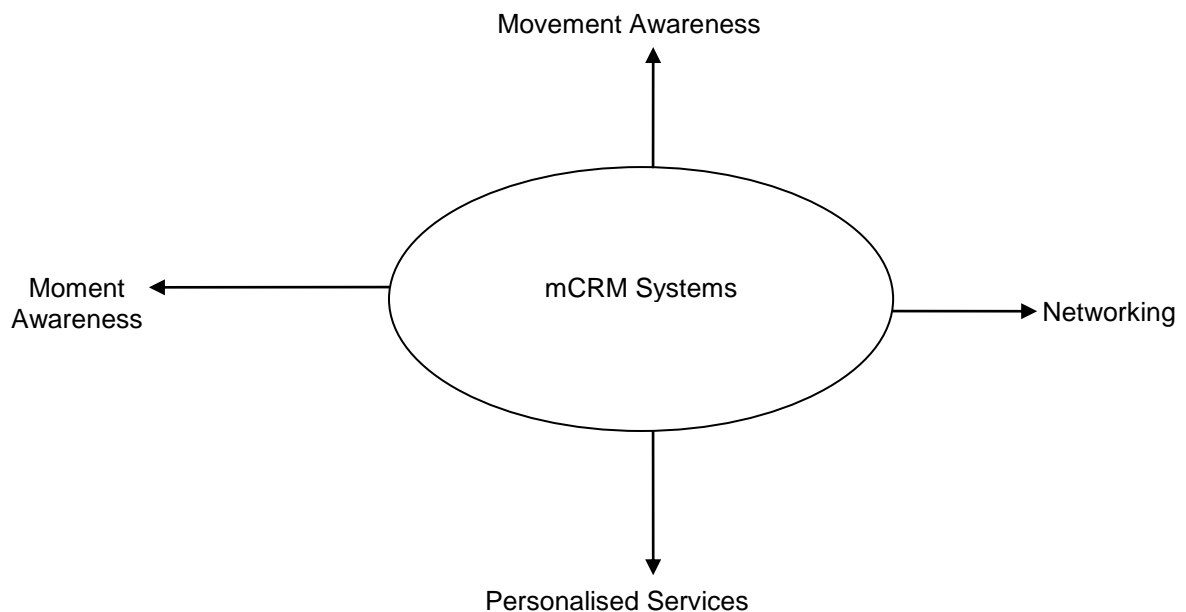
Figure 3.9: Model for building value to mobile services:
(Ahonen, 2004:34)

Modern technology allows movement awareness which means that mobile handsets can be located through network-based positioning, accurate local area positioning techniques and satellite positioning (Rainio, 2003:30). By utilising distance location information, a business is able to activate the appropriate m-advertising campaigns to trigger a successful response from the intermediaries, for example a loyal McDonalds end user/consumer may be driving through a rural area when he receives an SMS for a discounted meal voucher at McDonalds, the only one in a 500km radius, located in the next town, 3km's away. Movement awareness allows businesses to follow its intermediaries via mCRM and target them accordingly, no matter what their location may be. Turk (2007:31) contends that *"moment awareness as moment identification brings about impulsive behaviour"*. It has become increasingly apparent how many special occasions, like birthdays, anniversaries and other special days, are being exploited and marketed by certain businesses. mCRM is being used effectively to alert users of such events a day before and on the day and so avoiding the stress of forgetting (Turk, 2007:31).

Nearly everyone has access to a mobile device and by controlling who has access to enterprise information becomes a valuable method for networking. Networking is the building of communication bridges between oneself and other people or businesses, essentially a personal marketing campaign. Networking is best described with the following example: Person A (a sales person) and Person B (a buyer), are colleagues at the same

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business, and enjoy eating at the same restaurant. Person A is having a business lunch with Person C (a raw materials supplier) when Person B enters the restaurant. An introduction between Person B and C is initiated by Person A, which results in future meetings and business transactions between Persons B and C. Turk (2007:32) adds that none of the previously mentioned factors would be possible if the user did not set up a personalized service in the first instance, gathering the intermediary's needs, requirements and interests. For an effective and efficient mCRM system to work, input of necessary intermediary information is required, ensuring they benefit from those involved in the programme of providing services or information (Turk, 2007:32).

3.6.2.4 Limitations of mCRM

Several limitations manifest themselves in the mobile medium in a physical and relationship sense. Physically, the mobile mediums have small screen sizes; have limited bandwidth and limited device diversity (Hsu & Lin, 2008:38). Jelassi (2006:25) contends that the mobile medium needs to promote a complete range of activities for the business, so it needs to be integrated with other traditional channels to win a competitive position. Further, enterprises must consider how to manage and regulate constraints on intermediaries' personal information, which provides the utilization to mobile marketing (Jelassi, 2006:18). mCRM cannot deliver activities or services to intermediaries without a stable and valid mobile network. From a relationship sense, as the mobile medium develops and matures, so more opportunities and challenges will arise for mCRM. Communication, with the view to building long-term intermediary relationships, is becoming more complex as the content is adjusted to make the attractiveness and the retention of intermediary elements more advanced and appealing. A mCRM system must integrate the overall CRM system of a business to communicate with intermediaries. Achieving this will require effective management of the interactions across, and information co-ordination between, different intermediary communication mediums such as mobile phones, e-mail or the Internet (Hsu & Lin, 2008:29).

3.6.2.5 Benefits of an mCRM strategy

Third Wave Software (n.d.) producers have identified seven mCRM benefits namely: productivity, cost savings, responsiveness, access, accuracy, professionalism and control and management. Better access to information leads to greater productivity, allowing mobile workers to call up data which allows them to respond faster to market conditions, provide accurate and current information, to be effective and efficient to their intermediaries and prospects, and secure sale orders. Similarly, a synchronized data management system for a mobile sales force brings information from the field back to the central office, where it becomes accessible to appropriate enterprise users elsewhere. A mobile CRM solution lowers expenditure while boosting profits. Instead of expensive laptops, the bulk of mobile

workers are equipped with cost-effective PDAs. Most PDAs' software, utilities and lifespan are cheaper, more rugged and longer-lasting than most laptops. One of the chief benefits of a truly mobile CRM system is the ability to get accurate answers quickly (responsiveness), and to then pass them on to mobile workers with access to the rest of the CRM system, for example, knowing the status of stock availability, status on orders and so on. The ability to access the corporate CRM system from almost anywhere, regardless of connectivity, is a primary benefit to developing a mobile strategy while replacing paper with PDAs reduces the potential for errors in copying data to a call sheet or problem log. Instead, data transfers seamlessly and quickly through the network, updating the corporate picture and others in the field without any keystrokes. An advanced level of professionalism is introduced, by being in control of the relationship and by knowing what was said last by whom and when. Underlining this access to corporate data is the need to create and maintain a secure, easily supported enterprise, especially for remote data devices not tethered to the corporate office.

3.6.2.6 Contemporary challenges facing sales people in the mobile era

Selling roles have changed with many businesses considering selling relationship building exercise rather than a traditional transactional order activity. Oracle Social CRM (2008:2) identifies four challenges that modern sales people face in performing their duties. Businesses are finding it more expensive to reach prospects, effectively pursue deals and close business transactions. Warm, well-qualified leads are difficult to uncover, and sales people are spending more time chasing any lead they can get to make sales quota targets. Gaps exist between what applications deliver versus what sales people need. Very few, if any, tools exist to make an individual sales person more effective in their daily activities. CRM takes a "top-down" approach to automate business processes, collect information, and analyse data. Rather than conforming to the way a sales person works, the application makes the sales person change their activities to match the way the application works. Also, there is no effective way to leverage collaboration between team members within the same company. Successful selling is based on business relationships. All sales people need to leverage the experience and insights of others in order to succeed. These interactions are not well captured and managed in any existing CRM solutions currently available to the market. Most applications are not intuitive. When a tool is not intuitive, it is unlikely to be used, resulting in the lower adoption results. Lower adoption results in less information in an organisation's CRM repository, consequently giving management less insight into how the business is doing and what potential opportunities and problems to pursue and address.

3.7   Summary

To better understand mCRM, it is necessary to go back to the beginning of CRM. Numerous books, journals/ academics papers have been written on CRM and this chapter gives a brief review of various aspects of a CRM system. An overview of the dominant perspectives of CRM, the fundamental characteristics of a CRM system, CRM's implementation and CRM's ROI for businesses are discussed at some length. This chapter also looks at the effect IT has had on the CRM system, which has given rise to a new element called electronic CRM. The final section concerns mobile CRM and, although a relatively new field of study, literature regarding its limitations and benefits to the enterprise are discussed.

Almquist (2002:21) argues that as the mobile environment remains particularly complex and challenging; businesses should consider the following ten points for their future mobile strategy and success in this networked environment:

- "*wireless presence is an opportunity to transform intermediaries' relationships. Be sure to analyse the market and opportunities before going forward;*
- *wireless can also be a great, powerful tool for internal use. Employees can, with the help of efficient applications, increase productivity, working better and more efficiently;*
- *be sure to develop a variety of strategies in CRM: classical CRM, eCRM, mCRM and a combination of them all;*
- *be sure to address intermediaries' needs;*
- *build a viable and profitable business model;*
- *provide easy use and deliver the right information at the right time, through the right media;*
- *build strong relationships and strategic alliances;*
- *transform data and information into knowledge. Do not forget to ask for the intermediaries' contribution to that construction. Intermediaries pose the real knowledge;*
- *implement a solid, integrated and flexible information system; and*
- *inform and train internal employees and intermediaries".*

As mobile devices become more widespread and intelligent, so businesses must begin to construct real mobile strategies that will benefit the intermediary and enterprise alike. Mobile Commerce (m-Commerce) and mCRM are still very much in its infancy and much is yet to be learned. The extent to which these technologies will be used as dominant strategies by the enterprise in the future is as yet unclear.

CHAPTER 4

RESEARCH METHODOLGY

4.1   Introduction

Chapter 3 introduced and elaborated on the concepts customer relationship management (CRM), electronic customer relationship management (eCRM) and mobile customer relationship management (mCRM), in order to understand the value and limitations of creating a successful mCRM programme for the liquor fast moving consumer goods (FMCG) segment within the city of Cape Town in South Africa.   This chapter describes the methodology used and how the research problem is solved in this study.   This chapter addresses issues on the ontological and epistemological views of the researcher, the data collection, and sources of data, data processing, the interview protocol and the limitations of this research approach.

Current trends in modern research methodology are influenced by the social sciences, where various protagonists have differing views on the role the researcher has to play in the collection and interpretation of the collected data.   According to Hussey and Hussey (1997:18) two core assumptions underlie the subjectivist and objectivist philosophies which consist of the following substructures, namely:

- Objectivist – quantitative, positivist, scientific, experimentalist, traditionalist and functionalist; and
- Subjectivist – qualitative, phenomenological, humanistic and interpretivist.

Easterby-Smith, Thorpe & Lowe (2002:20) call them positivism and phenomenology while Hughes and Sharrock (1997:32) describe them as positivism and interpretive alternative. Objectivists are realists by nature, who contend that the world predates individuals and will exist as an empirical entity, made up of hard tangible and relatively immovable structures, independent of the cognitive efforts of individuals (Gill & Johnson, 2002:51).   Objectivists further contend that the relationship between man and society is deterministic (Easterby-Smith et al, 2002:23).   The research philosophy for this dissertation follows a positivist deductive approach. The research data was obtained through a structured telephonic survey with a sample of 150 respondents. Easterby-Smith et al. (2002:30) contend that objectivists "*identify casual explanations and fundamental laws that explain regularities in human social behaviour resulting in the generalisation of results using a hypothetico-deductive process (the development of hypotheses from the researches conceptualisation of a particular phenomenon*". Positivism is based on the view that information derived from sensory, logical and mathematical experiences, in the social and natural sciences are together the exclusive source of all authoritative knowledge and that only scientific knowledge provides valid

knowledge/truths. Positivist quantitative research is generally perceived as being more scientific and trustworthy and therefore has a greater impact on policy and public opinion. The objectivist perspective is further explained in Table 4.1

Table 4.1: Key research implications of the Objective perspective

	Positivist Perspective
Causality	The aim of social science should be to identify causal explanations and fundamental laws that explain regularities in human social behaviour.
Generalisation	In order to be able to generalise about regularities in human and social behaviour it is necessary to select samples of sufficient size, Aim of generalisations is to lead to prediction, explanation and understanding.
Hypothetico-deductive	Science proceeds through a process of hypothesising fundamental laws and then deducing what kinds of observations will demonstrate the truth or falsity of these hypotheses.
Independence	The observer is dependent of what is being observed.
Operationalisation	Concepts need to be operationalised in a way which enables facts to be measured quantitatively, Static design – categories isolated before the study.
Reductionism	Problems as a whole are better understood if they are reduced into the simplest possible elements.
Research language	Formal, based on a set of definitions, impersonal voice, and use of accepted quantitative words.
Value-freedom	The choice of what to study and how to study it can be determined by objective criteria rather than by human beliefs and interest.

Source: Easterby-Smith et al, 2002:24

The objective perspective, also known as the positivist perspective, uses an independent observer who chooses what and how to study using objective criteria rather than human beliefs and interests. The aim of the observer is to identify causal explanations and fundamental laws that explain regularities in human social behaviour. These fundamental laws are hypothesised resulting in observations that demonstrate the truth or falsity of these hypotheses. These concepts are operationalized enabling facts to be measured quantitatively. The next stage in the positivist prospective is the reduction of problems into their simplest possible elements followed by generalisations whose aim is to lead observers to prediction, explanation and understanding.

From an ethical consideration perspective the research was conducted using a defined intermediary database obtained with written permission from the researcher's employer. The researcher applied to the Faculty of Business Ethics Committee, of the Cape Peninsula

University of Technology, for approval to conduct the research. Approval was granted on the 15th June 2011 on the following conditions namely:

- The submission includes the official university application document (REC 5 form) completed and acceptable for the review;
- Ethical considerations included in the proposal and the participants informed, voluntary, consent and privacy respected;
- Methodology appears to be appropriate;
- Questionnaire included, Participants will answer a relevant questionnaire; and
- Permission letter included from brandhouse

The researcher conducted himself in a professional manner by ensuring that all relevant ethical clearance documents were approved by the researcher's business before the research was conducted. The researcher further ensured that the main procedures and what the participants could expect were fully described and that the respondents were assured, at the start of the interview, of the rationale for the study and also of the total confidentiality of their responses. The respondents' participation in this research was voluntary and they were free to withdraw from the interview at any stage of the process. As the respondents were mature adults and mainly in management positions at their respective retail outlets, the researcher did not discuss the research subject with any person who had not reached his or her 18th birthday, or any other person who did not have the capacity to respond to the questions (for example, the elderly or any physically or mentally impaired individuals). Verbal ethical approval was obtained from every respondent before the research was conducted.

4.2 Research process

The marketing research process begins with the recognition of a marketing problem or opportunity which is primarily used to evaluate product, promotion, distribution or pricing alternatives as well as finding or evaluating new market opportunities for a business. The marketing research problem is information oriented and involves determining what information is needed and how this information can be obtained effectively and efficiently, while the marketing research objective provides insightful decision-making information which is needed to answer the marketing research problem (McDaniel & Gates, 2001:22-23). The marketing research process shown in Figure 4.1 consists of eight integrated stages, namely:
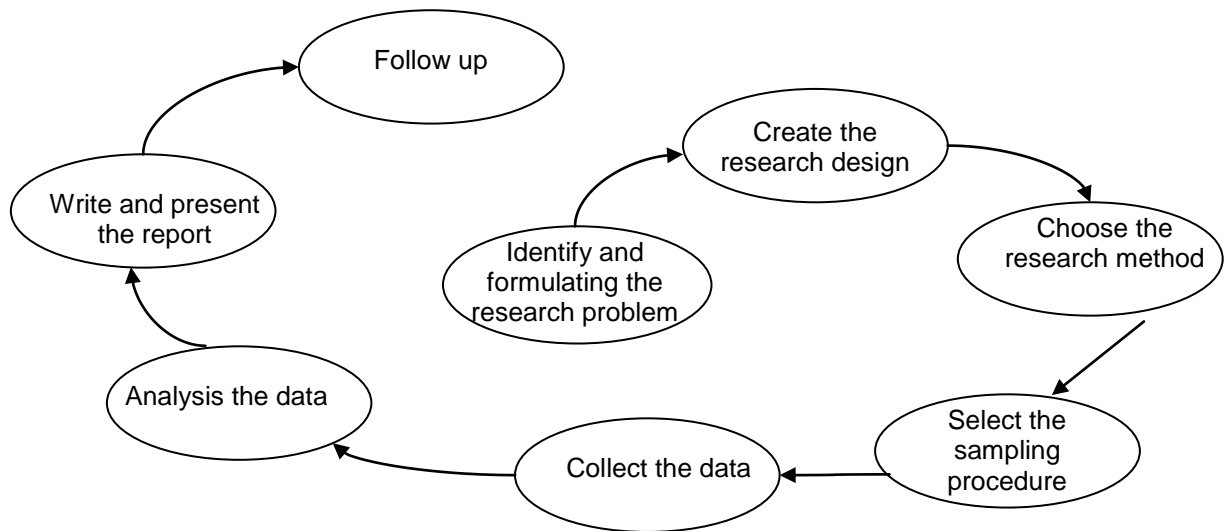
Figure 4.1: The marketing research process.
(McDaniel & Gates, 2001:22)

4.2.1 Identify and formulate the research problem

McDaniel and Gates (2001:25-30) contend that several questions need to be answered at this stage in order to ensure that accurate and effective data is acquired to make a business decision. These questions are grouped into three main questions namely:

- Why was the information sought?
- Does the information already exist?
- Could the question really be answered?

Finding out why the information is needed is best achieved by discussing what the information could be used for and what decisions could be made from the results. The researcher sets clear priorities amongst the questions. The questions have to be clearly phrased and some sample data is created to see whether the questions are correctly answered.

Researchers determine whether the information already exists by researching existing reports and data before a new study is authorised. Existing data and reports could save time and money if it solves the research question before any in-depth research could be conducted. The researcher will also establish whether the research question can really be answered by identifying whether similar studies have been conducted in the past or whether this is a new study. New studies risk not delivering the data required for an effective research study.

The research problem statement, as identified in Chapter 1, is that it is unknown whether a mCRM programme, as a marketing instrument, could be used to create an effective competitive advantage within the B2B licensed liquor industry of South Africa. One primary research question (Can a mCRM programme be used as a marketing instrument to create a

competitive advantage within the B2B licensed liquor industry of South Africa?), and four secondary research questions (Are intermediaries willing and receptive to adopt CRM technology by using mobile technology?; What are the barriers to implementing a mCRM programme within the liquor industry?; Will mCRM benefit intermediaries in terms of communication that is more effective and that improves intermediary relationships?; and Will a mCRM programme assist in reducing communication costs between business and intermediaries and thereby increase profitability for both parties?), will be answered by using the research questionnaire (Appendix A).

No research on a mobile CRM programme has been conducted in the South African market however; research on a mobile CRM programme for the Swedish IT industry was conducted by Turk (2007:65) (Appendix B). Several general questions are posed by Turk include questions on the benefits/limitations of a mCRM programme. This researcher has amended several questions, from Turk's research, to meet South African market conditions. These 18 amended questions include questions on how respondents feel about the technological advances mobile devices have made, the willingness of respondents to receive a CRM programme via their mobile device and what restrictions respondents wanted applied with regards to unsolicited/unauthorised sending of SMS/text or MMS messages.

4.2.2   Create the research design

The research design is the plan used to answer the research objectives or hypotheses by employing either exploratory, descriptive or casual studies (McDaniel & Gates, 2001:28-29).

Research on mCRM

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Exploratory Research

↓ ↓

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Qualitative

The analysis of the results is much more subjective.

The results are based on smaller sample sizes.

The results provide much more detail about behaviour, attitudes and motivations.

The findings are more in-depth since they make greater use of open ended questions.

Research techniques:
Interviews,
Focus groups,
Projective methods,
Case studies, and
Observations.

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Quantitative

The analysis of the results is much more objective.

The results are based on larger sample sizes that are representative of the population.

The results provide less detail on behaviour, attitudes and motivations.

The research can usually be replicated or repeated, giving the results high reliability.

Research techniques:
Observations,
Experimentation, and
Surveys.

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Figure 4.2: Research methods

(Turk, 2007:50)

Persson (2003:65) contends that exploratory research is usually conducted with the expectation that further research will follow. Turk (2007:50) contends in Figure 4.2 that exploratory research should be conducted to clarify and define the nature of a problem. The purpose of the research should provide insights and understanding, and not provide conclusive evidence. He explains further that exploratory research consists primarily of two methods for data collection: qualitative and quantitative data collection. Qualitative data will normally be derived from interviews, focus groups, projective methods, case studies and observations, and results in a more subjective result obtained from a smaller sample size. These results provide more detail about behaviours, attitudes and motivations. The more popular method for data collections is the quantitative approach and is normally derived from observations, experimentation and surveys. Quantitative data collection is more popular because the results are objective; the results are generally based on large sample sizes and can usually be replicated, giving it high reliability. It is generally quicker, cheaper and easier to administer than a qualitative survey.

Descriptive research attempts to describe something and usually seeks answers to the questions who? what? where? and how?. Descriptive studies are used when management already knows or understands the underlying relationships of the research study. Casual research investigates the cause-and-effect relationships between variables and requires the researcher to be knowledgeable about the subject and have an expectation of the relationship to be investigated (Persson, 2003:65). Within the research industry, casual research usually follows exploratory and descriptive research as it attempts to explain the cause-and-effect relationship.

In this study the present analysis is descriptive, based on the quantitative structure and nature of the survey, with an empirical design derived from the use of primary data. The research questions are exploratory by nature, as very little academic or business research has been conducted within the South African market on this subject, while the mode of reasoning is inductive.

4.2.3 Choose the research method

Data can be gathered in three basic research methods namely: surveys, where an interviewer interacts with respondents to obtain facts, opinions and attitudes; observations, where respondents' actions are monitored without direct interaction from the interviewer; and experiments, where one or more variables are changed while observing the effects those changes have on another variable, for example how a product's packaging design affects the product's price (McDaniel & Gates, 2001:30).

Additional techniques, such as experience studies – knowledgeable individuals are surveyed about a particular research problem to help formulate and clarify concepts; secondary data analysis – data collected for another purpose to clarify issues in the early stages of the research; case studies – extensive investigations into one or several situations that are similar to the researcher's problem; pilot studies – a less rigorous technique than case studies. The data collected in this study will be obtained through a structured telephone survey using a 5-point Likert scale questionnaire where 1 = 0%, 2 = 25%, 3 = 50%, 4 = 75% and 5 = 100%. McDaniel and Gates (2011:276) contend that Likert scales are quick and easy to construct and can be administered over the phone at negligible costs.

The researcher's extensive knowledge and experience of the FMCG liquor industry, coupled with adapted research questions conducted by Turk (2007:65), allowed him to compile a questionnaire that gathered primary data from a random sample of one hundred and fifty respondents.

The questionnaire was divided into ten sections namely:

- Section 1: four qualifying questions numbered SQ1 to SQ4;
- Section 2:
    - one qualitative question (Q1) which tested the respondents' understanding of the term customer relationship management;
    - Q2 and Q3 establishes who the major liquor suppliers were for each respondent and how they rated them in terms of volume contribution;
    - Q4.1 to Q4.8 are eight questions which establish how respondents viewed mobile communications and also whether respondents believed that technology was sufficiently advanced to implement a successful mCRM programme;
    - Q5.1 to Q5.7 are seven questions which establish how respondents reacted to receiving mobile communications and what barriers may or may not exist in the sending of this information to respondents;
    - Q6.1 to Q6.3 identifies the types of information respondents would be willing to receive via their mobile devices; and
- Section 3: consists of Q7 to Q9 and establishes how long businesses had being operational, how many employees they employed and the age of each respondent.

Each question will be discussed to clarify the reasons for inclusion in this research. The questionnaire of the principle study consists of 18 questions in total. The questionnaire begins with instructions to the interviewer and is grouped in 3 sections. The four qualifying questions of Section 1 (SQ1 to SQ4) consisted of instructions to the interviewer on the process to be followed for each interview and consist of 4 questions.

Sections 1's first qualifying question (SQ1) was included to ensure that a person of authority, either the business owner or the store manager, was interviewed. The second question (SQ2) established permission to conduct the interview, to make the confidentiality of all information supplied explicit and the adherence to the ethical framework established earlier in this research document. The third question (SQ3) established whether the respondent owned a mobile device as well as whether it was used for private or business use. The final qualifying question (SQ4) established the language preference of each respondent thereby ensuring that each respondent could respond in their mother tongue.

Section 2 (CRM) consists of a qualitative question (Q1) that was introduced to test each respondents understanding of the term CRM. The reason this question was introduced was to provide insight into what respondents perceived CRM to mean.

Q2 and Q3 introduce who the major liquor suppliers are and which suppliers were rated as the main suppliers. Q's 4 to 9 consists of classification questions which tested the respondents' willingness to use their mobile device for a CRM programme.

These questions where derived from:

- CRM as two-way communication between suppliers and intermediaries (Ots, 2010:35);
- Long-term CRM programmes are cheaper and more profitable to maintain than new business acquisition (Terblanche, 2002:26);
- Sending of unsolicited electronic communications for marketing purposes to an end user (Turk, 2007:20);
- Advances in IT and the role of technology in CRM (Laudon and Laudon, 1998:19); and
- Literature review.

A pilot study, also referred to as a pretest, of the questionnaire was tested on a random sample of eighteen respondents to ascertain whether all the questions could be answered, that there were no duplicate questions, lack of continuity, poor skip patterns and additional alternatives for precoded and closed-ended questions (McDaniel & Gates, 2011:310) and that none of the questions "lead" the respondents to a particular response. The pretest resulted in several small changes been made to the layout and flow of the questionnaire before the final survey was conducted. The original questionnaire did not require the research field worker to record the owner/managers details when booking a follow up appointment, while in section two question three, an additional question concerning the main liquor supplier was inserted. Question eleven was included to establish which business sub channel the respondent represented.

4.2.4   Select the sample procedure

The first step in the sample procedure is defining the population or universe which must include all the people whose opinions, behaviours, preferences and attitudes will help in answering the research problem. Once the population is defined the researcher must decide whether to use a probability or non-probability sample. Probability samples are subsets of a population that ensure a representative cross-section by giving every element in the population a known nonzero chance of being selected while a non-probability sample is a subset of a population in which little or no attempt is made to ensure a representative cross section (McDaniel & Gates, 2001:31). The South African liquor industry is regulated by the South African government in the form of liquor licences. Only licensed businesses are allowed to trade in liquor. The population is finite (1,693 registered licensed outlets listed for the Western Cape region) and as this researcher was employed by one of the liquor merchants, the researcher has obtained a database of these licensed liquor outlets for use. This database is an ideal sample, as all the industry players service the same businesses, due to the confines of the licensing laws. Due to cost implications, only businesses located within the city of Cape Town and with a telephone dialling code starting with 021 were considered for the research.

The sample frame had seven key data fields into which every customer is classified namely:

- Name of establishment;
- Channel (i.e. business category): off-premise consumption (n = 544), on-premise consumption (n = 1,065) and informal market (n = 84);
- Address of business;
- City;
- Region (only Western Cape considered);
- Sub channel (bar-boys night out, bar-local, bar style, bar-vibey, bulk breaker, cash & carry, counter service, hotel-casual, hotel-style, nightclub-boys night out, nightclub-dance, redistributors, restaurant-casual, restaurant-style, restaurant-vibey, sports club-local, sports club-style, Self Service (SS)-convenience, SS-distribution mainstream, SS-distribution premium, tavern-dance, tavern-local, tavern-style, tavern-vibey and wholesale bulk. All these variables are categorised into All these sub-channels were grouped into (i) bar and related, (ii) hotel/restaurant, (iii) taverns and (iv) commercial & trade for segmentation purposes. See the questionnaire in Appendix A in this regard; and
- Telephone number (dialling code suffix 021).

From the data fields listed above, the sample frame was stratified by channel, sub channel, telephone number and outlet name. A pilot study of eighteen questionnaires (six for each of the three channels) was executed three weeks before the start of the main survey. The questionnaire consisted of eighteen questions divided into three sections. The first section of seven questions analysed how the respondents viewed mobile communication, established whether respondents believed that technology was sufficiently advanced to implement a successful CRM programme, and whether respondents would be prepared to accept a CRM programme on their mobile devices. The second section of eight questions analysed how respondents reacted to receiving mobile communications, what barriers could/not exist in the sending of this information to respondents. The final section of three questions identified the types of information respondents were willing to receive on their mobile devices should a CRM programme be implemented by a business.

The questionnaire was further analysed into four main categories, namely: the main liquor suppliers within the industry, the main sub channels within which the South African liquor industry is classified, the number of years the various respondents' businesses had been operational and finally the size of the businesses based on the number of employees each respondent employed. The study indicated that the preferred language was English and that respondents preferred to be called in the afternoons during weekdays, excluding Fridays. Interviews lasted seven minutes on average and it took on average three calls to complete one interview. Also, the pilot study revealed that the informal channel specifically posed a problem in securing interviews and all twenty two interviews secured only six completed questionnaires. The names and addresses given seemed to be problematic and it was decided to execute the informal channel first before commencing with the off-premises and on-premises business categories. The final sample methodology and the questionnaire

required no further adjustments, once the pretest had been conducted from the primary study. A telephone sample survey was conducted with one hundred and fifty businesses in the liquor industry in the Western Cape. The sample size of one hundred and fifty interviews from a target population of one thousand six hundred and ninety three businesses resulted in a margin of error of ± 7.64%, at a 95% confidence level. In other words, ninety five out of one hundred sampled observations will fall within this given margin of error. In other words:

-7.64 +7.64

p

where p = result (percentage)

A disproportional systematic stratified sample by channel and then proportionate by sub-channel, was executed for the study. The key reason for executing a disproportional stratified sample is twofold: Firstly, the study aimed to establish the differences amongst the liquor business channels regarding their engagement of CRM using mobile devices as identified by the research objectives identified in Chapter 1 (section 1.6). Therefore, if a proportionate sample was drawn, then only seven interviews would have been conducted ($^{84}/_{1,693}$*150) within the informal channel, which is not enough to make any valid conclusions. As the size of the informal channel stratum is not enough to make a scientific assessment, it had to be increased (McDaniel & Gates, 2001:422). Secondly, although it is a disproportionate stratified sample, the results are weighted (i.e. total by type of business channel) to reflect the overall situation in the market and thereby provide an accurate assessment of the population parameter at hand (Zikmund & Babin, 2010:430).

The researcher envisaged to survey each of the three channels in equal proportions (n = 50), however, due to the low response rate in the informal channel, as established by the pilot study, it was decided to survey all businesses in this sector before commencing with the other two channels. In the end only 40 interviews were completed in the informal channel, with the remainder of the surplus sample (n = 10) equally divided into the off-premises and on-premises consumption channels (n = 55 each) see Table 4.2.

Table 4.2: Sample overview

Sample item	Total	Channel		
		Off-premise	On-premise	Informal
Population (N)	1,693	544	1,065	84
Envisaged sample distribution (n*)	150	50	50	50
Actual sample distribution (n)	150	55	55	40
Sample interval (nth unit)	-	10th	19th	census

The following strategies were introduced by the researcher to reduce the non-response rate: an appropriate professional introduction by the researcher (see questionnaire Appendix A). The interview was short, the questionnaire had an academic and non-threatening feel to it, and respondents were only phoned during the week and during working hours.

4.2.5   Collecting the data

The researcher conducted fieldwork during the months of May and June 2012. The sample element was regarded as being the owner, principal or manager of the business. In the case of a non-response, the replacement business comes from the same channel and sub-channel as the no-response business.

4.2.6   Analysing the data

According to McDaniel & Gates (2001:26) professional researchers rely on a five-step procedure for data analysis:

- Validation and editing (quality control);
- Coding;
- Data entry;
- Machine cleaning data; and
- Tabulation and statistical analysis.

Validation verifies that all the interviews were actually conducted as specified while editing refers to the correct and accurate completion of all questionnaires. Coding concerns the grouping and assigning of numeric codes of the various responses to a particular question. For the purposes of this study, open-ended questions were used to gain better insights and detailed information from the intermediary. Data entry is the logical checking of information being entered into a data entry device by a machine or one connected to it while machine cleaning data is the final computerized error check of the compiled data. The final procedure for data analysis is the tabulation and analysis of survey results. Data for this dissertation was sourced from primary data, through a quantitative questionnaire, based on a random sample of two hundred and sixty four intermediaries, and secondary data, which included numerous academic publications, journals and white papers on CRM and mCRM, from various libraries and electronic media.

4.2.7 Write and present the report

The analysed data is written in report format and communicated to the authorising business. A detailed analysis of the research findings is presented in Chapter 5.

4.2.8 Follow up

"*The researcher must ensure that management determine whether the recommendations are followed and if not, why not*" (McDaniel & Gates, 2001:32). In this regard further information and research is required to assess the applicability of this research study.

4.3 Summary

The researcher followed the structured research process as described by McDaniel & Gates (2001). McDaniel & Gates (2001:24) identified the following eight steps or processes namely: the identification and formulation of the research problem, creating the research design, choosing the research method, selecting the sampling procedures, the collection of data, the analysis of the data, writing and presenting the report and the follow up. One primary and four secondary research questions where identified by the researcher. The research design is descriptive while the research method is based on a quantitative 5 point likert scale questionnaire divided into ten sections. A finite population was obtained from a database provided by the researcher's employer. The data was collected through field research conducted during the months of May and June 2012. Thereafter the data was analysed and presented in written format in this research document.

During the course of this study, various other research opportunities presented themselves concerning CRM programmes, advances in mobile technology, advances in IT technology, the convergence and symbiotic relationship between marketing, through various CRM programmes, IT and mobile technology and the various applications associated with it. For the purposes of this dissertation, the researcher has decided to concentrate on the respondents' levels of willingness or lack thereof to participate in a mobile CRM communications programme via their cellular/mobile device. The study identified and set the parameters for acceptable B2B mobile communications within the liquor industry of South Africa.

The findings are discussed in detail in Chapter 5.

CHAPTER 5

FINDINGS

5.1   Introduction

In Chapter 4 the research methodology followed for this study was discussed in detail. The data findings were obtained via a disproportional systematic stratified sample of 150 respondents and are presented in this chapter. The research questions and objectives, identified in Chapter 1, sections 1.4 and 1.5, will be answered in this chapter. The researcher also noted some short comings in the perceived understanding of what customer relationship management meant to the various respondents. Those short comings will be discussed in greater detail later in this chapter. The structure of the questionnaire was to establish answers to the research questions and objectives. However, several other general "business" questions that would prove beneficial in understanding the liquor industry, would assist in answering the primary question: Can a mCRM programme be used as a marketing instrument to create a competitive advantage within the B2B licensed liquor industry of South Africa?   The questionnaire structure was divided into four sections, namely: general information, everyday use of a mobile device, the application of a mobile device for business purposes and the type of information received on a mobile device

5.2   General Information

In the general business section of the questionnaire, questions were asked in an attempt to better understand the diversity of the liquor industry in South Africa and what makes it successful.   The majority of those questions could be classified as demographic type questions. Table 5.1 shows the number of years the respondents' businesses had been operational.

Table 5.1: Years the business has been operational

1 to < 2 years	3.5%	5
2 to < 10 years	54.5%	82
10 >	42.0%	63

In Table 5.1, 96.5% or one hundred and forty five of the one hundred and fifty respondents had been in business longer than two years while 3.5% had less than two years' experience. 54.5% of the respondents had been in business for more than two but less than ten years while 42.0% had been in business for longer than ten years. The results indicated an established market that had extensive experience and knowledge of the FMCG liquor industry, as well as the various marketing activities employed by the leading liquor wholesale merchants. Table 5.2 indicated the number of employees employed by each respondent.

This assisted the researcher to understand the maturity and strength of the business within the confines of the liquor industry.

Table 5.2: Number of full-time employees in the business

1 to 19 employees	76.0%	114
20 to 50 employees	17.9%	27
Balance	6.1%	9

The vast majority (93.9%) of respondents employed between one to fifty employees, which placed them within the small, micro and medium enterprises (SMME's) economic sector of South Africa. The White Paper, on small business in South Africa, which was published by the Department of Trade and Industry and tabled in parliament in 1995 (South Africa, 1995:24) aimed to regulate, stimulate and promote small business activities in South Africa. The White Paper consisted of four parts, namely: visions, objectives and principles; the enabling environment; institutional support frameworks and target areas for packaged support. The White Paper (1995:10-15) classified small businesses in South Africa into four categories: survivalist enterprises, activities performed by people who are unable to find a paid job or get into an economic sector of their own choice; micro-enterprises, very small businesses, often involving only the owner, some family member(s) and at most one or two employees; small enterprises constitute the bulk of the established business, with employment ranging between five and fifty. Those enterprises are usually owner-managed or directly controlled by owner-communities and medium enterprises – fifty one to two hundred employees and a turnover of five million rand per annum.

An age related question, as indicated in Table 5.3 on the following page, was added to assist the researcher in understanding two basic premises, namely that a younger respondent base would be more comfortable with technology and its applications, while an older respondent base would be more likely to be averse to technology and its applications.

Table 5.3: Age of respondents

18 to 40 year old	58.0%	87
41 > year old	42.0%	63

Table 5.3 indicates that a greater percentage of respondents (58.0%) are young and may therefore be more likely to accept and embrace a mCRM programme. That age group generally considered IT, and in particular mobile technology, an everyday norm. Although the research questionnaire was quantitative by nature, an element of qualitative data was included to understand the respondents' level of understanding of the concept of customer relationship management (CRM). The following tables are a summation of the respondents understanding of what they believe CRM meant and tabled under the following headings: per

the various categories of age (Table 5.4), main business channel (Table 5.5) and main liquor supplier (Table 5.6). Each column is briefly discussed below:

Table 5.4: CRM interpretation by age of respondents

Category	Weighted Total(*)	Age of respondents			
		18 to 30 years	31 to 40 years	41 to 50 years	50+ years
No idea/don't know	37.3%	34.2%	50.0%	31.4%	32.3%
Well informed/defined correctly	22.7%	23.7%	18.4%	20.0%	25.8%
Has some idea/defined partially correct	20.0%	13.2%	15.8%	31.4%	22.6%
Not sure/uncertain	13.3%	21.1%	5.3%	11.4%	16.1%
Has no idea/defined incorrectly	6.7%	7.9%	10.5%	5.7%	3.2%
Base	150	38	38	35	31
Percentage	100.0%	100.0%	100.0%	100.0%	100.0%

(*) weighted by main business channel to reflect the overall situation in the market

Data defined in Table 5.5 highlight additional facts, namely that the greater majority, across all age categories, had no idea or are not certain what was meant by CRM. Of the 150 respondents 142 responded to the age question while 8 abstained from answering this question. The highest percentage (50%) occurred in the thirty one to forty year old group however; two age segments showed a well-informed grasp of CRM namely the eighteen to thirty and fifty plus year old groups. The younger age group, whom are assumed to be technologically advanced and well connected via various social media and through the mobile companies, have experienced CRM in some basic form (23.7%). The other age group that showed a well-informed understanding was the fifty plus age group and this could be attributed to life/business experience. Statistically however, those figures still remain low at 22.7% (or thirty four out of one hundred and fifty respondents).

In Table 5.5, on the following page, the main business channel was analysed as follows:

Table 5.5: CRM interpretation by main business channel

Category	Main business channel			
	Weighted Total(*)	Off-premise consumption	On-premise consumption	Informal market
No idea/don't know	37.3%	41.8%	32.7%	37.5%
Well informed/defined correctly	22.7%	18.2%	16.4%	37.5%
Has some idea/defined partially correct	20.0%	21.8%	20.0%	17.5%
Not sure/uncertain	13.3%	9.1%	27.3%	0.0%
Has no idea/defined incorrectly	6.7%	9.1%	3.6%	7.5%
Base	150	55	55	40
Percentage	100.0%	100.0%	100.0%	100.0%

(*) weighted by main business channel to reflect the overall situation in the market

The weighted totals across the main business channels, as indicated in Table 5.5, suggested that 57.3% of the respondents had no idea or were uncertain as to what the concept CRM entailed. Of concern was the fact that 60% of the off-premise and 63.6% of the on-premise consumption channel, where most of the major liquor companies spend their marketing budgets on recruiting new consumers and building their brands, had no idea or were uncertain what CRM meant while 40% of the off-premise and 36.4% of the on-premise had some idea or could define CRM correctly. In the informal channel, 55% of the respondents knew what CRM was and understood the concept while 45% had no idea. Although the sample was smaller than that of other channels, this result indicated that there was a greater level of service, education and communication taking place. The researcher's experience of the liquor industry confirmed that SABM had a marketing communications programme within this channel and was continually offering initiatives that built on their CRM programme.

In Table 5.6 the main liquor suppliers were analysed as follows:

Table 5.6: CRM interpretation by main liquor supplier

Category	Main liquor supplier			
	Weighted Total(*)	brandhouse	Distell	SABM
No idea/don't know	37.3%	41.2%	46.7%	33.3%
Well informed/defined correctly	22.7%	41.2%	26.7%	13.6%
Has some idea/defined partially correct	20.0%	11.8%	13.3%	22.2%
Not sure/uncertain	13.3%	0.0%	6.7%	22.2%
Has no idea/defined incorrectly	6.7%	5.9%	6.7%	8.6%
Base	150	17	15	81
Percentage	100.0%	100.0%	100.0%	100.0%

(*) weighted by main business channel to reflect the overall situation in the market

In Table 5.6, on the previous page, the research indicated that 53% of respondents felt that brandhouse best demonstrated the concept of what CRM stood for. The other two major liquor suppliers scored 40.0% (Distell) and 35.8% (SABM) respectively. Two of these results are not conclusive as the sample base was very small for brandhouse (17) and Distell (15) whereas SABM's base was eighty one of the one hundred and fifty sample and probably gives a truer reflection of the situation. The high percentage of respondents who did not know or were not sure what CRM meant or stood for was noted, given that the respondents interact on a daily basis with the various liquor suppliers and companies and are exposed to various CRM initiatives employed by those liquor suppliers. If an effective B2B CRM programme existed within the liquor industry, the majority of respondents were not aware of it.

5.2.1   Industry standards by the main liquor suppliers within the industry

Three main areas of interest are identified in order to answer the research question, of whether the FMCG liquor retail industry in South Africa would readily transition to a CRM programme that employed the use of mobile devices to communicate with other businesses, thereby creating a competitive advantage for that company. Those three areas are (1) the willingness of businesses to receive communication (business information and data) via mobile technology, (2) the implementation of a competitive mCRM programme and (3) the barriers/business protocols that need to be followed to ensure a smooth introduction for a mCRM programme.

Each area of interest was discussed in detail using the tables below. Although extensive data was obtained from the questionnaires, only four main categories will be analysed and discussed in full detail. These four categories are main liquor supplier, main business sub-channel, the number of years in business and the number of employees.

In Table 5.7(a), the first section of 7 questions on the main category, the main liquor suppliers within the liquor industry, is discussed below in the table.

Table 5.7(a): Application of mobile device survey by main liquor suppliers within the liquor industry.

Statements	Weighted Total(*)	brand house	Distell	SABM
My alcoholic beverage/liquor company has the electronic technology and capabilities to communicate with me regularly.	88.8	94.1	91.1	89.5
Mobile technology is sufficiently advanced to provide instant business data when requested from my sales representative.	80.3	82.4	86.7	83.0
Mobile phones can provide more business service solutions than just SMS/text messaging or MMS.	75.0	76.5	78.3	75.3
I would appreciate my favorite alcoholic liquor company asking my permission first before sending SMS/text messages or MMS messages.	70.7	76.5	78.3	64.5
I believe that mobile communications is the alternative way of building a good CRM programme with customers.	69.7	73.5	80.0	70.7
There must be clear time frames when mobile communications are used for example between business hours only.	69.7	72.1	80.0	67.0
My mobile device is my personal communications device and I prefer not to receive any company communications on it.	42.5	38.2	43.3	37.0

(*) weighted by main business channel to reflect the overall situation in the market

In Table 5.7(a), 88.8% of respondents believed that the three major liquor suppliers had sufficient technological capabilities to provide instant business information via a mobile device to them on a regular basis, while 80.3% believed that technology, in general, was sufficiently advanced for this type of programme. 75.0% of respondents believed that their mobile devices could be used more effectively to provide better business solutions, while 69.7% believed that mobile communications offered an alternative way to building a good CRM programme. The vast majority of respondents, 70.7% and 69.7% respectively, requested that all communication between themselves and the liquor companies be approved by them first and that communications be conducted during normal business hours. Of greater importance for this study was the fact that only 42.5% of respondents rejected the idea of receiving a mobile CRM programme on their mobile devices. Those respondents indicated that they considered their mobile devices as their personal communications tools.

In Table 5.7(b), on the below page, the second section of 8 questions, the main liquor suppliers within the liquor industry was discussed in full detail.

Table 5.7 (b): Everyday use of mobile device by main liquor suppliers within the liquor industry.

Statements	Weighted Total(*)	brand house	Distell	SABM
I appreciate receiving SMS/text or MMS messages celebrating special events like birthdays/Christmas/Easter etc.	70.8	77.9	71.7	71.9
I always read SMS/text or MMS messages immediately upon receiving them.	67.0	73.5	60.0	70.1
I do not object to receiving any SMS/text or MMS messages from companies I trust and like.	63.7	66.2	61.7	68.2
I mainly use my mobile device for SMS/text or MMS messages.	45.2	36.8	56.7	46.6
I always make and receive all my vocal business communications (voice calls) via my mobile device.	25.0	30.9	25.0	24.1
I always respond positively to SMS/text or MMS messages where I can win or get something for free.	18.0	17.6	16.7	17.3
My cell/smart phone is my primary tool of business communication.	17.5	25.0	6.7	15.7
I make and receive video calls and/or conference calls via my mobile device.	4.8	2.9	8.3	2.8

(*) weighted by main business channel to reflect the overall situation in the market

The second section of eight questions, in Table 5.7(b), looked at how respondents reacted to receiving mobile communications, what type of communications they would like to receive and what barriers would inhibit mCRM communications. In total 67.0% of all respondents indicated that they read SMS/text or MMS messages immediately upon receipt, while 70.8% indicated that prominent calendar events (birthdays, Christmas etcetera) would be appreciated.

63.7% of respondents further indicated that they would appreciate having received mCRM communications from a company they liked and trusted. In terms of what respondents used their mobile devices for, it became apparent that the majority (45.2%) of respondents used their mobile devices for SMS/text or MMS messages. Within a business context, only 25% of respondents used their mobile devices for vocal business communications, while 4.8% of respondents made use of video/conference calls. In total 18.0% of respondents indicated that they would respond positively to SMS/text or MMS messages if they could win something, while 17.5% indicated that their mobile device was their primary tool for business communications.

Table 5.7(c): Willingness to receive mobile communications by the main liquor suppliers within the liquor industry.

Statements	Weighted Total(*)	brand house	Distell	SABM
Be able to communicate back to the company via my mobile device.	66.2	73.5	76.7	68.2
New brand information	56.3	64.7	56.7	59.6
Participation in promotional campaigns.	54.7	64.7	50.0	58.6
Base	150	17	15	81
Percentage	100.0%	100.0%	100.0%	100.0%

(*) weighted by main business channel to reflect the overall situation in the market

The last section of Table 5.7(c) analysed what respondents would like to receive on their mobile devices, should a mCRM programme be implemented by the major liquor suppliers. 56.3% of the respondents indicated that they would like to receive new brand/product information, 54.7% indicated that they would participate in promotional campaigns, while 66.2% would like to be able to communicate/respond back to the liquor suppliers. The next section, the main sub channels within the liquor industry, looked at the three channels namely, off-premise consumption, on-premise consumption and informal market channel.

5.2.2   Industry standards by the main sub channels for the liquor industry

As with the main liquor suppliers (Table 5.7 above), this section was also divided into three groups, as indicated in Table 5.8(a) on the next page. The first seven questions of this section analysed the levels of technology the respondents believed existed within the liquor industry.

Table 5.8(a): Application of mobile device survey by sub channels for the liquor industry.

Statement	Weighted Total(*)	Off-premise consumption	On-premise consumption	Informal
My alcoholic beverage/liquor company has the electronic technology and capabilities to communicate with me regularly.	88.8	90.7	89.1	85.6
Mobile technology is sufficiently advanced to provide instant business data when requested from my sales representative.	80.3	78.2	86.4	75.0
Mobile phones can provide more business service solutions than just SMS/text messaging or MMS.	75.0	70.9	62.3	78.1
I would appreciate my favorite alcoholic liquor company asking my permission first before sending SMS/text messages or MMS messages.	70.7	80.5	53.2	81.3
I believe that mobile communications is the alternative way of building a good CRM programme with customers.	69.7	67.7	86.4	69.4
There must be clear time frames when mobile communications are used for example between business hours only.	69.7	62.7	84.1	59.4

69

Statement	Weighted Total(*)	Off-premise consumption	On-premise consumption	Informal
My mobile device is my personal communications device and I prefer not to receive any company communications on it.	42.5	46.4	33.6	49.4

(*) weighted by main business channel to reflect the overall situation in the market

The seven questions, from Table 5.8(a), returned the following results:

- 78.2% of off-premise consumption, 86.4% of on-premise consumption and 75% of the informal market channels respondents felt that mobile technology was sufficiently advanced to provide instant business data when requested from their sales representative;
- 90.7% of off-premise consumption respondents, 89.1% of on-premise consumption respondents and 85.6% of informal market respondents felt that alcoholic beverage/liquor businesses had the electronic technology and capabilities to communicate regularly with respondents;
- 70.9% of off-premise consumption, 62.3% of on-premise consumption and 78.1% of the informal market channel believed that mobile phones could provide more business service solutions than just SMS/text or MMS messaging;
- considering whether a good CRM programme for intermediaries could be achieved, 67.7% of off-premise consumption, 86.4% of on-premise consumption and 69.4% of the informal market believed that it could be done;
- with regards the use of the mobile device to receive company communications, 46.4% of off-premise consumption, 33.6% of on-premise consumption and 49.4% of the informal market channel felt that their mobile device was their personal communications device and would not like to receive any company communications on it;
- 80.5% of off-premise, 53.2% of on-premise consumption and 81.3% of the informal market channel agreed that liquor companies should obtain their permission first before sending any mobile communications; and
- Finally, respondents felt that clear timelines should exist if a mCRM programme be introduced. 62.7% of off-premise, 84.1% of on-premise and 59.4% of the informal market channel believed that mCRM should only occur during business hours.

The research indicated that the majority of respondents, across all business channels, considered it essential that clear timelines of communication and permission to conduct mobile communications be obtained. Respondents work long retail hours and do not want their private time interrupted by mobile business communications hence the request that all communications occur during working hours. Many respondents consider their mobile devices personal property and although willing to receive mCRM communications, their permission to conduct mCRM would be required first.

Table 5.8(b): Everyday use of mobile device by sub channels for the liquor industry.

Statements	Weighted Total(*)	Off-premise consumption	On-premise consumption	Informal
I appreciate receiving SMS/text or MMS messages celebrating special events like birthdays/Christmas/Easter etc.	70.8	65.5	75.0	72.5
I always read SMS/text or MMS messages immediately upon receiving them.	67.0	63.6	70.5	66.9
I do not object to receiving any SMS/text or MMS messages from companies I trust and like.	63.7	57.3	72.7	60.0
I mainly use my mobile device for SMS/text or MMS messages.	45.2	55.0	43.6	33.8
I always make and receive all my vocal business communications (voice calls) via my mobile device.	25.0	22.7	20.0	35.0
I always respond positively to SMS/text or MMS messages where I can win or get something for free.	18.0	13.6	16.4	26.3
My cell/smart phone is my primary tool of business communication.	17.5	14.1	10.0	32.5
I make and receive video calls and/or conference calls via my mobile device.	4.8	4.5	2.3	8.8

(*) weighted by main business channel to reflect the overall situation in the market

The analysed second section of eight questions from Table 5.8(b) produced the following results:

- a very small percentage of respondents (22.7% off-premise consumption, 20.0% on-premise consumption and 35.0% informal market channel) used their mobile devices for vocal business communications;
- 55.0% of the off-premise consumption channel mainly used their mobile devices to send and receive SMS/text or MMS messages, while only 43.6% of the on-premise and 33.8% of the informal market channel concurred with the off-premise consumption findings;
- all three channels scored less than 10.0% for the statement relating to the video conference question;
- the informal market channel (32.5%) used their mobile device as their primary business tool while the response rate from the off-premise and on-premise consumption channels were 14.1% and 10.0% respectively;
- the on-premise consumption channel recorded the highest response rate (70.5%), followed by the Informal market channel (66.9%) and the off-premise consumption channel (63.6%) as those respondents who responded immediately to receiving SMS/text or MMS messages on their mobile device;
- when it came to responding positively for winning or getting something for free, 26.3% of the informal market channel, 16.4% of the on-premise consumption and 13.6% of the off-premise consumption channel indicated a favourable response to that question;
- a high percentage of respondents (75.0% on-premise consumption, 72.5% informal market channel and 65.5% of the off-premise consumption) indicated that they would appreciate receiving messages celebrating special events like birthdays and Christmas;
- most respondents, from all three channels, agreed that they would not object to receiving SMS/text or MMS messages from liquor companies (72.7% on-premise consumption, 60.0% informal market channel and 57.3% off-premise consumption);

This section analysed how respondents, across all three business sub channels, responded to the various mobile communications services available on their devices. A small percentage of respondents use their mobile devices for business communications with the preferred method of communication either SMS or text messaging. The informal main market, due to location and poor infrastructure problems, rely on mobile technology to conduct business. All three channels returned a positive response to winning or getting something for free while 65% plus indicated that birthday and special event greetings would be appreciated.

Table 5.8(c): Willingness to receive mobile communications by sub channels for the liquor industry.

Statement	Weighted Total(*)	Off-premise consumption	On-premise consumption	Informal
Be able to communicate back to the company via my mobile device.	66.2	64.1	61.4	75.6
New brand information	56.3	59.1	54.1	55.6
Participation in promotional campaigns.	54.7	58.5	54.5	49.4
Base	150	55	55	40
Percentage	100%	100%	100%	100%

(*) weighted by main business channel to reflect the overall situation in the market

The last section of three questions from Table 5.8(c) indicated the following:

- 59.1% of the off-premise consumption channel indicated that they would like to receive new brand information, while 55.6% of the informal market channel and 54.1% of the on-premise consumption channel felt the same;
- 58.5% of the off-premise consumption channel wanted to participate in promotional campaigns, followed by 54.5% of the on-premise consumption and 49.4% of the informal market channel; and
- the informal market channel (75.6%) felt the strongest about being able to communicate back to the company/business, followed by the off-premise consumption at 64.1% and the on-premise channel at 61.4%.

The results from this section of the questionnaire indicated that the informal market channel was more favourable to using mobile technology to receive communications of a CRM nature. The reason for this trend could be the lack of telephonic infrastructure in those informal/under-developed areas of Cape Town. The introduction of cellular technology has surpassed landline availability in those areas. All three channels indicated a strong preference for new brand/product knowledge, were willing to participate in promotional campaigns and expressed a desire to be able to communicate back to a company that sent out communication to respondents, when answering the last three questions of section of Table 5.8(c).

5.2.3 Industry standards by the number of years a business is operational

The next section of questions looked at how many years each business had been operational within the South African liquor industry. Four time periods were selected by the researcher, based on his knowledge of the industry and added to the questionnaire in order to understand how the various businesses operated in the modern technological environment. Young businesses would approach the use of technology as an integral part of their business while older businesses would be less likely to rely on technology to the same extent as a young business. The analysis of that data is recorded in full detail in Table 5.9(a) on the next page.

Table 5.9(a): Application of mobile device survey by the number of years a business is operational.

Statement	Weighted Total(*)	2 to <5 years	5 to <10 years	10 to <20 years	20+ years
My alcoholic beverage/liquor company has the electronic technology and capabilities to communicate with me regularly.	88.8	90.1	89.7	86.7	88.1
Mobile technology is sufficiently advanced to provide instant business data when requested from my sales representative.	80.3	83.6	82.7	80.0	75.6
Mobile phones can provide more business service solutions than just SMS/text messaging or MMS.	75.0	75.0	79.5	71.7	73.3
I would appreciate my favorite alcoholic liquor company asking my permission first before sending SMS/text messages or MMS messages.	70.7	61.2	64.7	75.8	80.8
I believe that mobile communications is the alternative way of building a good CRM programme with customers.	69.7	73.7	73.1	66.7	65.1
There must be clear time frames when mobile communications are used for example between business hours only.	69.7	63.8	60.3	80.8	75.6
My mobile device is my personal communications device and I prefer not to receive any company communications on it.	42.5	35.5	34.6	44.2	54.7

(*) weighted by main business channel to reflect the overall situation in the market

From the results obtained from the questionnaire and then tabulated in Table 5.9(a), it became clear that businesses operating within the two to five period band, where the most willing to receive mobile communications on their cellular devices. This time band was selected by the researcher as three of the seven questions scored the highest percentages versus the other time periods. Those questions that received the highest weighted percentage responses from Table 5.9(b) produced the following results:

Table 5.9(b): Everyday use of mobile device by the number of years a business is operational.

Statements	Weighted Total(*)	2 to <5 years	5 to <10 years	10 to <20 years	20+ years
I appreciate receiving SMS/text or MMS messages celebrating special events like birthdays/Christmas/Easter etc.	70.8	75.0	77.6	67.5	63.4
I always read SMS/text or MMS messages immediately upon receiving them.	67.0	66.4	77.6	70.0	55.8
Be able to communicate back to the company via my mobile device.	66.2	67.8	71.8	63.3	61.6
I do not object to receiving any SMS/text or MMS messages from companies I trust and like.	63.7	63.2	70.5	63.3	58.1
New brand information	56.3	60.5	67.9	50.8	45.9
Participation in promotional campaigns	54.7	60.5	67.9	46.7	43.0
I mainly use my mobile device for SMS/text or MMS messages.	45.2	46.7	48.7	36.7	46.5
I always make and receive all my vocal business communications (voice calls) via my mobile device.	25.0	23.7	28.2	26.7	22.1
I always respond positively to SMS/text or MMS messages where I can win or get something for free.	18.0	23.7	19.2	24.2	7.6
My cell/smart phone is my primary tool of business communication.	17.5	17.8	19.9	15.8	16.3
I make and receive video calls and/ or conference calls via my mobile device.	4.8	0.0	5.1	7.5	7.0
Base	150	38	39	30	43
Percentage	100.0%	100.0%	100.0%	100.0%	100.0%

(*) weighted by main business channel to reflect the overall situation in the market

- These respondents indicated that they appreciated receiving SMS/text or MMS messaging that celebrated special events like birthdays, Christmas and Easter (70.8%);
- 67.0% of all respondents indicated that they would always open and read SMS/text or MMS messages immediately upon receiving them;
- The ability to communicate back to companies via mobile technology produced a 66.2% return. They also showed the biggest percentage acceptance for received new brand information (56.3%), participation in promotional campaigns (54.7%) and the ability to communicate back to the company via their mobile device (71.8%).

The results from this section of the questionnaire indicated that businesses, which had been operating for five to ten years, were more comfortable with the technological advances the South African economy had experienced recently. The respondents in that time period where more willing to embrace technology in order to benefit and grow their businesses, compared to the twenty plus years time period that generally had the lowest weighted percentages for all the research questions that were asked.

5.2.4   Industry standards by the number of employees employed in the liquor industry

The final set of questions evaluated the number of employees respondents employed within the liquor industry. Two different results could clearly be observed from the research data presented in tabular form in Table 5.10 on the next page. Table 5.10 was also divided into three sections as with the other tables discussed herein. The first seven questions from Table 5.10(a) that concentrated on the technological advances within the liquor industry, as well as how respondents felt about using their mobile devices for receiving a CRM programme, were dominated by respondents/businesses who employed more that fifty employees.

Table 5.10(a): Application of mobile device survey by number of employees employed in the liquor industry.

Statements	Weighted Total(*)	1 - 4 employ-ees	5 - 9 employ-ees	10 - 19 employ-ees	20 - 49 employ-ees	50+ employ-ees
My alcoholic beverage/liquor company has the electronic technology and capabilities to communicate with me regularly.	88.8	87.0	87.5	91.1	85.2	95.8
Mobile technology is sufficiently advanced to provide instant business data when requested from my sales representative.	80.3	80.4	72.9	83.0	81.8	87.5
Mobile phones can provide more business service solutions than just SMS/text messaging or MMS.	75.0	75.5	66.4	83.0	80.7	72.2
I would appreciate my favorite alcoholic liquor company asking my permission first before sending SMS/text messages or MMS messages.	70.7	69.6	77.1	69.6	58.0	77.8
There must be clear time frames when mobile communications are used for example between business hours only.	69.7	67.9	64.3	67.0	78.4	79.2
I believe that mobile communications is the alternative way of building a good CRM programme with customers.	69.7	66.8	62.9	79.5	75.0	68.1
My mobile device is my personal communications device and I prefer not to receive any company communications on it.	42.5	34.2	47.1	40.2	48.9	51.4

(*) weighted by main business channel to reflect the overall situation in the market

Although the base size for businesses, with 50+ employees, accounts for 18 of 150 respondents, the researcher contended that those businesses used mobile communications themselves to communicate with their staff. It would appear therefore, that those businesses were more willing to embrace such communications methods.

The balances of the questions in Table 5.10(b), on the next page, were dominated by respondents that employed between one to four employees. Those respondents made up the biggest sample: 46 of the 150 respondents.

Table 5.10(b): Everyday use of mobile device by the number of employees employed in the liquor industry.

Statements	Weighted Total(*)	1 - 4 employ-ees	5 - 9 employ-ees	10 - 19 employ-ees	20 - 49 employ-ees	50+ employ-ees
I appreciate receiving SMS/text or MMS messages celebrating special events like birthdays/Christmas/Easter etc.	70.8	72.8	65.7	71.4	72.7	70.8
I always read SMS/text or MMS messages immediately upon receiving them.	67.0	68.5	66.4	65.2	68.2	63.9
Be able to communicate back to the company via my mobile device.	66.2	71.2	65.0	62.5	61.4	65.3
I do not object to receiving any SMS/text or MMS messages from companies I trust and like.	63.7	65.2	60.7	67.9	64.8	55.6
New brand information	56.3	68.5	48.6	56.3	48.9	47.2
Participation in promotional campaigns.	54.7	68.5	47.9	56.3	46.6	37.5
I mainly use my mobile device for SMS/text or MMS messages.	45.2	52.7	49.3	38.4	40.9	30.6
I always make and receive all my vocal business communications (voice calls) via my mobile device	25.0	33.2	13.6	21.4	31.8	25.0
I always respond positively to SMS/text or MMS messages where I can win or get something for free	18.0	25.5	11.4	17.0	12.5	20.8
My cell/smart phone is my primary tool of business communication.	17.5	23.4	10.0	12.5	25.0	16.7
I make and receive video calls and/or conference calls via my mobile device.	4.8	4.3	2.9	7.1	6.8	4.2
Base	150	46	35	28	22	18
Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(*) weighted by main business channel to reflect the overall situation in the market

This conclusion was supported by the findings in Table 5.10(b) where 23.4% of the respondents confirmed that their mobile devices served as their primary business communications tool. This group of respondents also showed the highest weighted percentage scores for receiving new brand information (68.5%), willingness to participate in promotional campaigns (68.5%) and the ability to communicate back to a company via their mobile device (71.2%).

In conclusion, it was assumed, based on the results of this section of the questionnaire that larger businesses employing more than fifty employees, would in all probability have an advanced IT infrastructure and would also use some form of CRM programme to communicate with their staff and consumers via mobile devices. The balance of the respondents, who made up the largest sample of 46, employed between one to four employees in their businesses. Based on that information, this researcher had assumed that most of those businesses may have a rudimentary IT business system, do not have a CRM programme for their staff or consumers and relied on mobile devices as their primary business communications tool.

Chapter 6 will discuss the research objectives, evaluate the study, propose recommendations and suggest further research opportunities for future studies.

CHAPTER 6

CONCLUSION AND RECOMMENDATIONS

6.1   Introduction

The objective of this study was to establish whether a mobile customer relationship management programme could be used as a marketing instrument to create a competitive advantage within the business-to-business licensed liquor industry of South Africa. This statement became the primary research question and was supported by four secondary research questions, namely: Would intermediaries be willing and receptive to adopt CRM technology by using mobile technology?; What are the barriers to the implementation of a mCRM programme for the liquor industry?; Would mCRM benefit intermediaries in terms of effective communication and improved intermediary relationships?; and Would a mCRM programme assist in reducing communications costs between business and intermediaries and thereby increase profitability for both parties?

6.2   Interpretation of the research results

As indicated in the above section, one primary and four secondary research questions needed to be answered namely:

6.2.1. Could a mCRM programme be used as a marketing instrument to create a competitive advantage within the business to business liquor industry of South Africa?

Currently no mCRM programme exists within the South African FMCG market in any format. The first company that can introduce a business to business mCRM programme will become the market leader, will benefit from marketing advantages it will deliver which in turn will provide a competitive advantage over its rivals. Saloner, Shepard and Podolny (2001:37) contend that most forms of competitive advantage mean either that a firm can produce some service or product that its customers value more than those produced by competitors or that it can produce its service or product at a lower cost than its competitors. They also contend that "*in order to prosper, the firm must also be able to capture the value it creates. In order to create and capture value the firm must have a sustainable competitive advantage*".

Smit (2011:117) contends that the most critical driver of competitive advantage for a firm is rivalry. Rivalry forces firms to be cost competitive, to improve quality and to be innovative (Smit, 2011:117). mCRM for a business to business programme is a new marketing concept in South Africa and if implemented successfully will result in added financial and market share gains, improved quality and innovation for that company. Further factors which support this conclusion include the advances in IT technology, mobile smart device

domination of the South African mobile market and respondent's willingness to receive marketing communication on their mobile devices.

6.2.2. Would intermediaries be willing and receptive to adopt CRM technology by using mobile technology?

Sinisalo (2006:43) contends that a mCRM programme must start with an intermediary data base that contains the three elements of trust, permission and identification. Sinisalo (2006:43) develops the discussion on the three elements with trust, an integral component in all aspects of life that must, when designing a mCRM intermediary database, be established first to establish a solid foundation. To build trust, Barnes and Scornavacca (2004:17) suggest that instead of interrupting and annoying people with information they may not desire, trust can be created through permission marketing. Permission marketing refers to the marketer seeking permission before sending any advertisements to prospective intermediaries.

To establish whether these three elements of trust, permission and identification would play a role in the willingness/receptiveness to adopting CRM technology several research questions where included to answer this question namely: mobile technology is sufficiently advanced to provide instant business data when requested from my sales representative? Mobile phones can provide more business service solutions than just SMS/text or MMS messaging? I believe that mobile communications is the alternative way of building a good CRM programme with customers? I do not object to receiving any SMS/text or MMS messaging from companies I trust and like? The data obtained from these research questions indicated that the majority of respondents (63.7% to 80.3% of the weighted totals) were willing and receptive to adopting a mCRM programme.

6.2.3. What are the barriers to the implementation of a mCRM programme for the liquor industry?

Mobile devices have become very personal pieces of equipment and people view them as an extension of their personal identity, which portray their social standing, fun, business and fashion stages of their lives. Mobile devices ensure that they are always contactable and for this reason, mobile marketing should deliver to each individual personal need. Without this medium of information, the business will be oblivious to its intermediaries' needs and it will not be able to meet them effectively (Park & Kim, 2003:14).

Three research questions where included in the survey to address these questions namely: there must be clear time frames when mobile communications are used for example between working hours only? I would appreciate my favourite alcoholic liquor company asking my permission first before sending SMS/text or MMS messaging? And my mobile device is my personal communications device and I prefer not to receive any company communications on it? The response to the first two questions (69.7% and 70.7% respectively) indicate that the majority of respondents wanted clearly defined parameters regarding the times that mobile communications could be sent to them and also that their permission be obtained before any communications are sent. Although these two barriers returned a significant response, from a business perspective they could be overcome with the correct procedures and processes. The last response would be the problematic to overcome. 42.5% of respondents indicated that their mobile devices were personal property, privately owned mobile devices, and would not want to receive business communications on it.

6.2.4. Would mCRM benefit intermediaries in terms of effective communication and improved intermediary relationships?

Third Wave Software (n.d.) producers have identified seven mCRM benefits namely: productivity, cost savings, responsiveness, access, accuracy, professionalism and control and management. Better access to information leads to greater productivity, allowing mobile workers to call up data which allows them to respond faster to market conditions, provide accurate and current information, to be effective and efficient to their intermediaries and prospects, and secure sale orders. Similarly, a synchronized data management system for a mobile sales force brings information from the field back to the central office, where it becomes accessible to appropriate enterprise users elsewhere. A mobile CRM solution lowers expenditure while boosting profits.

The research data sports the personal and relationship aspect of a mCRM business to business communications programme with respondents returning a 70.8% weighted total positive response to the questions: I appreciate receiving SMS/text or MMS messages celebrating special events like birthdays/Christmas/Easter etc. and 80.3% weighted total return in response to the question: mobile technology is sufficiently advanced to provide instant business data when requested from my sales representative.

6.2.5. Would a mCRM programme assist in reducing communications costs between business and intermediaries and thereby increase profitability for both parties?

All the major liquor suppliers annually produce between 10 and 20 marketing promotions that require high gloss, high resolution and definition point of sale (POS) material that communicates the mechanics of the promotion to the FMCG trade. From personal experience, each promotion requires about 10 000 brochures which range in finished price between R250.00 and R1 000.00 per brochure. A finished price includes agency fees for layout and artwork colour printing and distribution costs nationally. POS costs for a small promotion of 10 000 brochures at R250.00 each would result in a R2, 5 million expense on communication material. The same promotional communication brochure could be produced and mailed electronically at a fraction of the cost. It could be delivered instantly while printed POS material would take approximately 3 weeks to reach the intermediaries. Quick communication results in intermediaries reacting quicker to promotions and thereby maximising the promotional period. The research does not indicate that the intermediary would benefit from a reduction in costs and an increase in profit. A mCRM programme would only benefit the company implementing it.

6.3   Findings of the study

The findings from the analysis of the data obtained from the study revealed several surprising results. The first result was when respondents were asked to explain what a CRM programme meant to them. The weighted totals indicate that 57.3% of respondents, across all age groups, have no idea or do not know what CRM is from either an academic or everyday business viewpoint. Two age groups, 18 to 30 and 50 plus years, showed a slightly better understanding of what a CRM programme was. However, those results were fairly low (22.7% and 25.8% respectively). Those same findings were mirrored in the other sections, namely main business sub-channel and main liquor supplier for the CRM question. The two formal liquor channels, off-premise (60.0%) and on-premise consumption (63.6%) showed the largest "no idea" response to CRM. These results were not expected by the researcher as the major liquor companies spend large amounts of their marketing budgets in those channels, educating and communicating with consumers and intermediaries. Based on the accumulated data for this one question, it was clear that an extensive marketing and educational effort would be needed to make consumers and intermediaries understand the CRM concept, its benefits and how effective it could be for both parties. From an academic viewpoint and understanding of what a CRM is and based on the data obtained from this study, this researcher would have to conclude that the South African liquor industry was not

yet ready to embrace a B2B mCRM programme. However, should this question be disregarded and the balance of the research analysed, then a different result would emerge.

6.3.1 Alternative findings

When the balance of the research was analysed, it became evident that a successful B2B mCRM strategy could be implemented that would offer a business a competitive, cost-effective benefit, with limited entry barriers. 88.8% of respondents believed that the major liquor suppliers had the technological capabilities to communicate with them via mobile devices. Further, 75.0% of those respondents also believed that their mobile devices could be used more effectively to conduct business. A total of 57.5% of respondents indicated that they where in favour of receiving CRM communications via their mobile device. The balance viewed their mobile devices as personal property and rejected the idea of receiving any CRM communication.

The vast majority of respondents (70.7%) requested that they should first grant permission for CRM communications and that all communications take place during normal business hours. From that data it was clear that respondents were willing to receive mCRM communications from liquor companies, provided the above conditions were met. When questioned about the content for mCRM communications, 56.3% of respondents indicated they would like to receive brand/product information, 54.7% indicated that they would participate in promotional campaigns and 66.2% would like the ability to communicate back to the sending company. 67.0% of respondents indicated that they read their SMS/text or MMS messages immediately on receiving them, while 70.8% agreed that receiving special occasions (birthday's etcetera) wishes would be appreciated. An interesting result was observed when respondents where asked how they felt about winning something from a liquor company via their mobile device. Only 18.0% of respondents indicated that they would respond positively to a free gift.

Should one ignore the question on CRM understanding and only consider the quantitative questions of the research study, then the analysed data indicates that the majority of respondents would like to receive a mCRM programme on their mobile devices. Further, a strong competitive advantage could be created for the first company to enter the market with such a programme, by offering the intermediary business services, marketing programmes and sales objectives directed at the intermediary. The only barrier that would exist is that communication would need to occur during normal business hours and that the intermediary would have to grant their permission before any communication could be sent. The results from the three other sections, namely main liquor channel, number of years in business and number of people employed mirror the above findings.

6.4   Recommendations

The researcher would recommend the following, based on the research results discussed above, namely:

- A six month tactical marketing campaign which would expose intermediaries to the concepts and ideas of a CRM programme;
- A comprehensively updated intermediary database;
- Well-trained field sales staff who would support the CRM programme once implemented;
- A simple, easy to use and navigate mCRM programme to begin with. This programme would have to have the ability and capability to progress in the future as intermediaries become more familiar with the system; and
- A complete company philosophy, with a clear, holistic and coherent business strategy, that would embrace the mCRM concept to drive future growth opportunities.

6.5   Further research

Three further research opportunities presented itself during the course of this study. The first research opportunity would evaluate the informal market, how they perceive mainstream advertising in their channel and the cultural implications thereof. The second research opportunity would involve a detailed qualitative analysis of the on-premises consumption channel with particular attention to consumers/intermediaries within the two to five year business range. This range was selected because that business group would cater to younger, more technologically astute consumers and would have to explore more innovative, technological concepts to attract new business. The final research opportunity would be the extension of this study into other market channels, outside the liquor industry, to establish the acceptance of mCRM in general.

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APPENDIX A

Name of person interviewed..	
Contact number: .... **➜FOR CONTROLLING PURPOSES ONLY**	
Time of interview: ………h………	Date:...../...../2012
Customer account number (as per database):	

SPECIAL INSTRUCTIONS:-
- **Interview only one person per firm.**
- **Questions which have more than one answer are indicated by means of an (*).**
- **Interviewer instructions are indicated by means of an arrow '➜AND SMALL CAPS'.**

SECTION 1

TELEPHONIC INTRODUCTION

Good day. My name is _____ and I am calling from _____, regarding a survey about customer relationship management from various liquor/ alcoholic beverages suppliers you may deal with.

SQ.1   May I please speak to the owner or manager of the business?

Yes	SQ1-1
No	-2

➜*Q. May I make an appointment to call at a more convenient time?*
➜ TAKE DETAILS OF OWNER/MANAGER AND MAKE APPOINTMENT.

*** FULL INTRODUCTION ***

Good day. My name is _____ and I am calling from _____ regarding a survey we are conducting about customer relationship management from various liquor/ alcoholic beverage suppliers. This research is designed to understand the various level of customer relationship management (CRM) you are exposed too and what can be done to improve this service to you. We would be grateful for your participation and will treat all answers in the strictest confidence. Confidentiality is fully guaranteed. Neither your name nor that of your company will be associated in anyway with the results. The results are processed as a collective.

SQ.2   May I continue with this questionnaire/ interview?

Yes	SQ2-1
No	-2

➜*Q. May I make an appointment to call at a more convenient time?*
➜ TAKE DETAILS OF OWNER/ MANAGER AND MAKE APPOINTMENT. RECORD NON-RESPONSE SHEET!

SQ.3   Do you own a cell phone, either for private and/ or business use?

Yes	SQ3-1
No	-2

➜END INTERVIEW AND THANK RESPONDENT FOR HIS/HER TIME. SAMPLE A SUBSTITUTE FIRM FROM DATABASE.

SQ.4   Would you prefer me to do the interview in English or Afrikaans?

Afrikaans	SQ4-1	➜SWITCH TO AFRIKAANS QUESTIONNAIRE
English	-2	➜CONTINUE WITH INTERVIEW IN ENGLISH
Any/does not matter	-3	➜CONTINUE WITH INTERVIEW IN ENGLISH

SECTION 2

Q.1   **What do you understand by *Customer relationship management* (also known as CRM)? (*)** ➔**PROBE FULLY.**

➔**INTERVIEWER TO READ OUT:** *I am going to ask you a few questions about the various CRM programmes you are exposed to from the various liquor/ alcoholic beverage companies you deal with. CRM is a customer targeted relationship programme that builds relationships between suppliers and customers. All questions relate to CRM.*

Q.2   **Which of the following liquor supplier(s) do you makes use of? (*)**➔**CALL OUT OPTIONS 1 TO 5**

Q.3   **Which ONE of these liquor suppliers mentioned is your main supplier in terms of traded volumes?** ➔**IF MORE THAN ONE MENTION, RECORD FIRST MENTION.**

brandhouse	2-1	3-1
Distell	-2	-2
Pernod Ricard	-3	-3
Really Great Brands Company (RGBC)	-4	-4
South African Breweries Miller (SABM)	-5	-5
Use a third party➔**PLEASE SPECIFY** …………………………………................	-6	-6
Uncertain/don't know/ confidential	-7	➔**GO TO Q.4**

Q.4 **To what extent do you agree or disagree with the following statements concerning your mobile device (cell phone/ smart phone) and your everyday use thereof? Rate these statements on the following 5-point scale where 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree and 5 = strongly agree. Please call out the appropriate number for each of the following statements.**

➔**IF RESPONDENT IS UNCERTAIN, LEAVE THE QUESTION BLANK.**

	Statement	Strongly agree	Agree	Neither agree nor	Disagree	Strongly disagree
1.	I always make and receive all my vocal business communications (voice calls) via my mobile device.	4-5	-4	-3	-2	-1
2.	I mainly use my mobile device for SMS/ text or MMS messages.	4-5	-4	-3	-2	-1
3.	I make and receive video calls and/ or conference calls via my mobile device.	4-5	-4	-3	-2	-1
4.	My cell/ smart phone is my primary tool of business communication.	4-5	-4	-3	-2	-1
5.	I always read SMS/ text or MMS messages immediately upon receiving them.	4-5	-4	-3	-2	-1

6.	I always respond positively to SMS/ text or MMS messages where I can win or get something for free.	4-5	-4	-3	-2	-1
7.	I appreciate receiving SMS/ text or MMS messages celebrating special events like birthdays/ Christmas/ Easter, etc.	4-5	-4	-3	-2	-1
8.	I do not object to receiving any SMS/ text or MMS messages from companies I trust and like.	4-5	-4	-3	-2	-1

Q.5 On the same scale as above, how would you rate the following statements regarding the application of your mobile device for business purposes?

	Statement	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
1.	Mobile technology is sufficiently advanced to provide instant business data when requested from my sales representative.	5-5	-4	-3	-2	-1
2.	My alcoholic beverage/ liquor company has the electronic technology and capabilities to communicate with me regularly.	5-5	-4	-3	-2	-1
3.	There must be clear time frames when mobile communications are used, for example between business hours only.	5-5	-4	-3	-2	-1
4.	Mobile phones can provide more business service solutions than just SMS/ text messaging or MMS.	5-5	-4	-3	-2	-1
5.	My mobile device is my personal communications device and I prefer not to receive any company communications on it.	5-5	-4	-3	-2	-1
6.	I would appreciate my favourite alcoholic beverage/ liquor company asking my permission first before sending me SMS/ text or MMS messages.	5-5	-4	-3	-2	-1
7.	I believe that mobile communications is the alternative way of building a good CRM programme with customers.	5-5	-4	-3	-2	-1

Q.6 Please rate your willingness to receive any mobile communication on the following three areas. → CALL OUT THE OPTIONS.

	Mobile communication	More than willing	Willing	Maybe	Not willing	Definitely not willing
1.	New brand information.	6-5	-4	-3	-2	-1
2.	Participation in promotional campaigns.	6-5	-4	-3	-2	-1
3.	Be able to communicate back to the company via my mobile device.	6-5	-4	-3	-2	-1

SECTION 3

Q.7   How many years has this business been operational? ➔*IF BUSINESS CHANGED ITS NAME, THEN RECORD THE NUMBER OF YEARS 'ALL INCLUSIVE'*

No more than one year.	7-1
One to < two years.	-2
Three to < five years.	-3
Six to < 10 years.	-4
10 to < 20 years.	-5
20 years +	-6

Q.8   How many employees does the firm employ on a full-time basis?

None (survivalist/ nonemployee firm)	8-1
1 to 4 employees.	-2
5 to 9 employees.	-3
10 to 19 employees.	-4
20 to 50 employees.	-5
51 to 99 employees.	-6
100 to 500 employees.	-7
500+ employees.	-8

Q.9   What is your age? ➔**IF RELUCTANT, CALL OUT AGE GROUP CATEGORIES**

Under 18 years: ➔**TERMINATE INTERVIEW**	9-1	**31 to 40 years.**	-4
18 to 25 years.	-2	41 to 50 years.	-5
26 to 30 years.	-3	50 years +	-6
		Confidential.	-7

*** Thank you for your participation! ***

Q.10   Business channel

Off-premise consumption channel.	10-1
On-premise consumption channel.	-2
Informal market channel.	-3

Q.11   Business sub-channel

Bar and related**:**	Bar Boys Night Out, Bar Local, Bar Style, Bar Vibey, Nightclub Boys Night Out, Nightclub Dance, Sports club Local and Sports club style.	11-1
Hotel/ restaurant:	Hotel Casual, Hotel Style, Restaurant Casual, Restaurant Style and Restaurant Vibey.	-2
Taverns:	Tavern Dance, Tavern Local, Tavern Style and Tavern Vibey.	-3
Commercial and trade:	Bulk Breaker, Cash & Carry, Redistributors, Wholesale Bulk, Counter service, SS convenience, SS Destination Mainstream and SS Destination Premium.	-4
Not recorded**:**	No classification on database.	-5

Q #	QUESTIONS	**OBJECTIVES**				
		PRIMARY • Can a mCRM programme be used as a marketing instrument to create a competitive advantage within the B2B licensed liquor industry of South Africa?	**SECONDARY** • Are intermediaries receptive and willing to adopt CRM technology by using mobile technology?	• What are the barriers to implementing a mCRM programme within the liquor industry?	• Will mCRM benefit intermediaries in terms of more effective communication and improved intermediary relationships?	• Will a mCRM programme assist in reducing communication costs between business and intermediaries and thereby increase profitability for both parties?
S.Q.1	**May I please speak to the owner or manager of the business?** • Yes • No	Screening question				
S.Q.2	**May I continue with this questionnaire/ interview?** • Y ES • N O	Screening question				
S.Q.3	**Do you own a cell phone, either for private and/ or business use?** • Yes • No	Screening question				
S.Q.4	**Would you prefer me to do the interview in English or Afrikaans?** • English • Afrikaans	Screening question				
Q.1 – Q.3	**Qualitative question on CRM**	Record verbal explanations				
Q.4.1	I always make and receive all my vocal business communications (voice calls) via my mobile device.	✓			✓	✓
Q.4.2	I mainly use my mobile device for SMS/ text or MMS messages.	✓			✓	✓
Q.4.3	I make and receive video calls and/ or conference calls via my mobile device.	✓			✓	✓
Q.4.4	My cell/ smart phone is my primary tool of business communication.	✓			✓	✓
Q.4.5	I always read SMS/ text or MMS messages immediately upon receiving them.	✓			✓	✓
Q.4.6	I always respond positively to SMS/ text or MMS messages where I can win or get something for free.	✓	✓		✓	✓

Q.4.7	I appreciate receiving SMS/ text or MMS messages celebrating special events like birthdays/ Christmas/ Easter, etc.	✓	✓		✓	✓
Q.4.8	I do not object to receiving any SMS/ text or MMS messages from companies I trust and like.	✓	✓	✓		
Q.5.1	Mobile technology is sufficiently advanced to provide instant business data when requested from my sales representative.	✓	✓		✓	✓
Q.5.2	My alcoholic beverage/ liquor company has the electronic technology and capabilities to communicate with me regularly.	✓			✓	✓
Q.5.3	There must be clear time frames when mobile communications are used, for example between business hours only.		✓	✓		
Q.5.4	Mobile phones can provide more business service solutions than just SMS/ text messaging or MMS.	✓			✓	✓
Q.5.5	My mobile device is my personal communications device and I prefer not to receive any company communications on it.		✓	✓		
Q5.6	I would appreciate my favourite alcoholic beverage/ liquor company asking my permission first before sending me SMS/ text or MMS messages.		✓	✓		
Q.5.7	I believe that mobile communications is the alternative way of building a good CRM program with customers.	✓	✓		✓	✓
Q.6.1	New brand information.	✓	✓		✓	✓
Q.6.2	Participation in promotional campaigns.	✓	✓		✓	✓
Q.6.3	Be able to communicate back to the company via my mobile device.	✓	✓	✓	✓	✓
Q.7 – Q.11	General questions on business channel and sub channel, number of employees and years in business	Demographic questions				